

NEW ISSUE  
BOOK ENTRY ONLYRatings: Moody's: "Aa1"  
S&P: "AA"  
(See "Ratings" herein)

*In the opinion of Bond Counsel, under current law and assuming compliance with certain covenants and accuracy of certain representations and certifications made by HRTAC, interest on the Series 2024A Bonds (i) is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), (ii) is not a specific item of tax preference for purposes of the federal alternative minimum tax on individuals; however, such interest is included in the "adjusted financial statement income" (as defined in Section 56A of the Code) of certain corporations that are subject to the alternative minimum tax imposed under Section 55 of the Code, and (iii) is exempt from income taxation by the Commonwealth of Virginia. See "TAX MATTERS."*

## Hampton Roads Transportation Accountability Commission

\$152,730,000\*

Hampton Roads Transportation Fund  
Senior Lien Revenue Bonds  
Series 2024A

## Dated: Date of Delivery

Due: July 1, as shown on the inside cover

This Official Statement has been prepared by the Hampton Roads Transportation Accountability Commission ("HRTAC" or the "Commission") to provide information on the above-referenced bonds (the "Series 2024A Bonds"). Selected information is presented on this cover page for the convenience of the reader. To make an informed decision regarding the Series 2024A Bonds, a prospective investor should read this Official Statement in its entirety.

## Security/Payment

The Series 2024A Bonds are limited obligations of HRTAC that are payable solely from certain funds pledged by HRTAC for such purpose under the Master Indenture (defined herein). The Series 2024A Bonds are on parity with respect to payment with all other Senior Bonds, and senior to all Intermediate Lien Obligations and all Subordinate Obligations, each as defined herein, as described in "SECURITY FOR AND SOURCES OF PAYMENT OF THE SERIES 2024A BONDS." The pledged funds consist of amounts credited by the Commonwealth of Virginia (the "Commonwealth") to the Hampton Roads Transportation Fund (the "HRTF"), a nonreverting fund held by the State Treasurer and recorded on the books of the Comptroller of Virginia and transferred to HRTAC for inclusion in the HRTAC Revenues (defined herein). The HRTF consists of revenues generated by (i) an additional 0.7% retail sales and use tax on transactions occurring in HRTAC's Member Localities (defined herein), and (ii) an additional wholesale motor vehicle fuels sales tax on transactions occurring in the Member Localities at a current rate of 9.0 cents per gallon on gasoline and gasohol (and 9.1 cents per gallon on diesel), subject to an annual adjustment in accordance with the consumer price index. The availability of these tax revenues for deposit in the HRTF is subject to annual appropriation by the General Assembly of the Commonwealth, and the General Assembly may eliminate or change the source of funds for the HRTF at any time. HRTAC relies entirely on the Commonwealth to collect and deposit such funds in the HRTF and to transfer such funds to HRTAC for inclusion in the HRTAC Revenues. HRTAC has no taxing powers. The Series 2024A Bonds are not a debt of the Commonwealth or any political subdivision thereof (including any Member Locality) other than HRTAC. Neither the faith and credit nor the taxing power of the Commonwealth or any of its political subdivisions (including any Member Locality) is pledged to the payment of the Series 2024A Bonds. See "INTRODUCTION—Security and Sources of Payment" and "SECURITY FOR AND SOURCES OF PAYMENT OF THE SERIES 2024A BONDS."

## Issued Pursuant to

The Series 2024A Bonds will be issued pursuant to a Master Indenture of Trust dated as of February 1, 2018, as previously amended and supplemented, and an Eleventh Supplemental Series Indenture of Trust to be dated as of October 1, 2024. The Commission approved the issuance of the Series 2024A Bonds in a resolution dated June 20, 2024.

## Purpose

The proceeds of the Series 2024A Bonds, along with other available funds, will be used to finance a portion of the costs of the Hampton Roads Express Lanes Network project and to pay costs of issuance of the Series 2024A Bonds. See "DESCRIPTION OF THE SERIES 2024A BONDS—Estimated Sources and Uses of Funds."

## Interest Rates/Yields

See inside cover.

## Interest Payment Dates

January 1 and July 1, commencing January 1, 2025.\*

## Redemption Terms

See inside front cover and "DESCRIPTION OF THE SERIES 2024A BONDS" herein.

## Denominations

\$5,000 or integral multiples thereof.

## Closing/Delivery Date

October 22, 2024.\*

## Registration

Full book-entry only; The Depository Trust Company, New York, New York.

## Trustee

Wilmington Trust, National Association.

## Bond Counsel

Kaufman &amp; Canoles, a Professional Corporation, Richmond, Virginia.

## Underwriter's Counsel

Butler Snow LLP, Richmond, Virginia.

## Financial Advisor

PFM Financial Advisors, LLC, Orlando, Florida.

## BofA Securities

J.P. Morgan

Academy Securities

Official Statement Date: October \_\_, 2024

\* Preliminary, subject to change.

# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

**\$152,730,000\***  
**HAMPTON ROADS TRANSPORTATION FUND**  
**SENIOR LIEN REVENUE BONDS**  
**SERIES 2024A**

**\$36,490,000\* Serial Bonds, due July 1, as follows**

<b><u>July 1*</u></b>	<b><u>Principal Amount*</u></b>	<b><u>Interest Rate</u></b>	<b><u>Yield</u></b>	<b><u>CUSIP†</u></b>
2025	\$ -			
2026	-			
2027	-			
2028	-			
2029	-			
2030	1,690,000			
2031	1,775,000			
2032	1,865,000			
2033	1,955,000			
2034	2,055,000			
2035	2,160,000			
2036	2,265,000			
2037	2,380,000			
2038	2,500,000			
2039	2,625,000			
2040	2,755,000			
2041	2,890,000			
2042	3,035,000			
2043	3,190,000			
2044	3,350,000			

**\$19,425,000\* \_\_\_\_% Term Bonds Maturing July 1, 2049\*, priced at \_\_\_\_%, CUSIP \_\_\_\_**

**\$24,790,000\* \_\_\_\_% Term Bonds Maturing July 1, 2054\*, priced at \_\_\_\_%, CUSIP \_\_\_\_**

**\$31,640,000\* \_\_\_\_% Term Bonds Maturing July 1, 2059\*, priced at \_\_\_\_%, CUSIP \_\_\_\_**

**\$40,385,000\* \_\_\_\_% Term Bonds Maturing July 1, 2064\*, priced at \_\_\_\_%, CUSIP \_\_\_\_**

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\* Preliminary, subject to change.

† CUSIP® is a registered trademark of the American Bankers Association. The CUSIP numbers listed above are being provided solely for the convenience of bondholders, and neither HRTAC nor the Underwriters make any representation with respect to such numbers or undertake any responsibility for their accuracy. The CUSIP numbers are subject to being changed after the issuance of the Series 2024A Bonds.

### **Optional Redemption**

The Series 2024A Bonds maturing on or before July 1, 20\_\_, will not be subject to optional redemption. The Series 2024A Bonds maturing on and after July 1, 20\_\_, will be subject to optional redemption, at the sole discretion of HRTAC, on and after July 1, 20\_\_, in whole or in part (in increments of \$5,000) at any time, at par plus interest accrued thereon to the date fixed for redemption.

### **Mandatory Redemption**

The Series 2024A Bonds maturing on July 1, 20\_\_, are subject to mandatory sinking fund redemption prior to maturity in the years and amounts set forth below upon payment of 100% of the principal amount to be redeemed plus interest accrued to the redemption date:

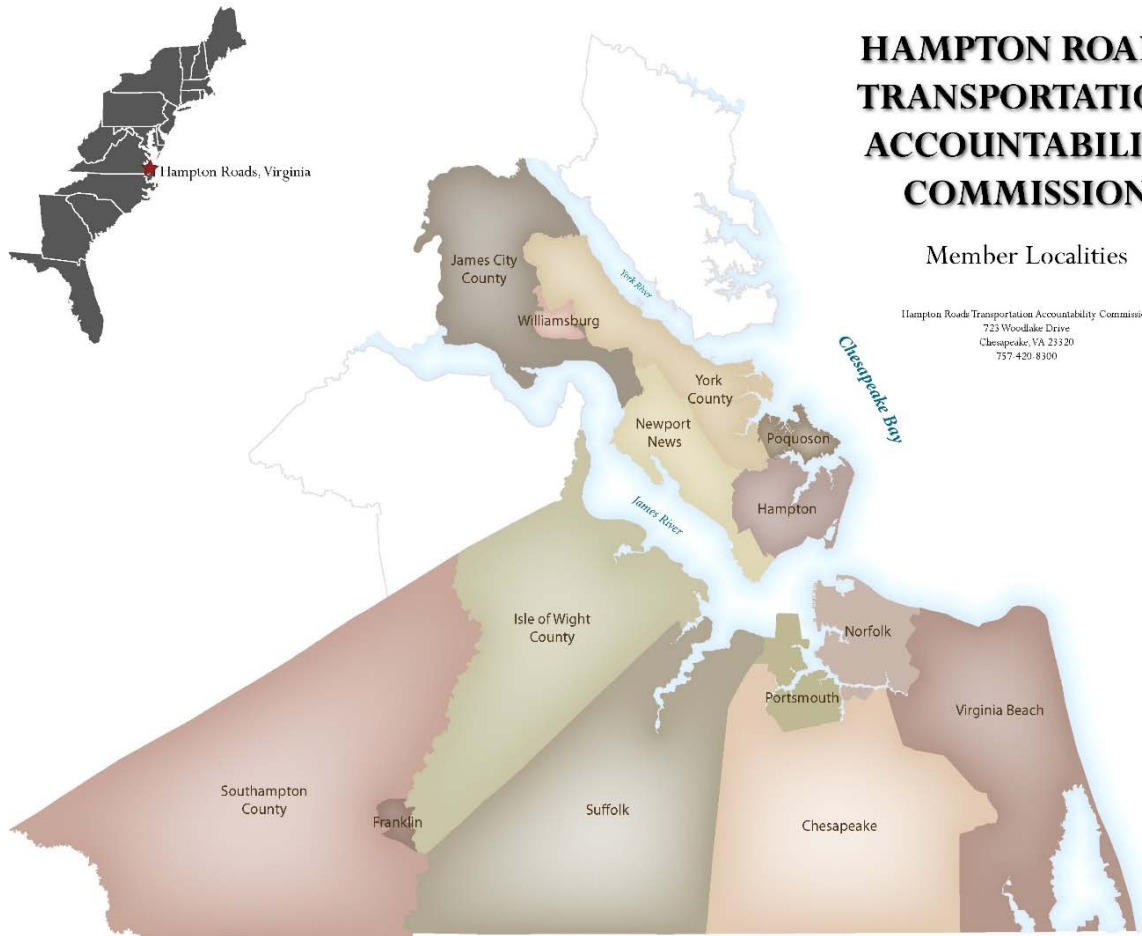
Year\*

Amount\*

\*final maturity

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\* Preliminary, subject to change.



## **HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION**

### **VOTING MEMBERS**

Dr. Richard W. “Rick” West, Chair, *City of Chesapeake*  
Douglas G. Pons, Vice Chair, *City of Williamsburg*

Kenneth C. Alexander, <i>City of Norfolk</i>	Michael J. Hipple, <i>James City County</i>
Bonita Anthony, <i>Virginia House of Delegates</i>	Phillip Jones, <i>City of Newport News</i>
Christopher D. Cornwell, Sr., <i>Southampton County</i>	Mamie Locke, <i>Virginia Senate</i>
Robert “Bobby” Cutchins, <i>City of Franklin</i>	L. Louise Lucas, <i>Virginia Senate</i>
Michael D. Duman, <i>City of Suffolk</i>	William M. McCarty, <i>Isle of Wight County</i>
Robert M. Dyer, <i>City of Virginia Beach</i>	Thomas G. Shepperd, <i>York County</i>
Jackie H. Glass, <i>Virginia House of Delegates</i>	Anne Ferrell Tata, <i>Virginia House of Delegates</i>
Shannon E. Glover, <i>City of Portsmouth</i>	Donnie R. Tuck, <i>City of Hampton</i>
Gordon C. Helsel, <i>City of Poquoson</i>	

### **NON-VOTING MEMBERS**

Stephen Brich, Commissioner of Highways	Virginia Department of Transportation
Zach Trogdon, Acting Director	Department of Rail and Public Transportation
Frederick T. Stant III, Member	Commonwealth Transportation Board
Stephen A. Edwards, Executive Director	Virginia Port Authority

### **HRTAC SENIOR STAFF**

Kevin B. Page, Executive Director

### **GENERAL COUNSEL**

Willcox & Savage, P.C.  
Norfolk, Virginia

### **BOND COUNSEL**

Kaufman & Canoles, a Professional Corporation  
Richmond, Virginia

### **FINANCIAL ADVISOR**

PFM Financial Advisors, LLC  
Orlando, Florida

The Series 2024A Bonds will be exempt from registration under the Securities Act of 1933, as amended. As obligations of a political subdivision of the Commonwealth, the Series 2024A Bonds will also be exempt from registration under the securities laws of the Commonwealth.

No dealer, broker, salesman or other person has been authorized by HRTAC to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by HRTAC. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2024A Bonds by any person in any jurisdiction in which it is unlawful for such person to make an offer, solicitation or sale. This Official Statement is not to be construed as a contract or agreement between HRTAC and the purchasers or owners of any of the Series 2024A Bonds. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of HRTAC or in any other matters described herein since the date hereof or, as in the case of any information incorporated herein by reference to certain publicly available documents, since the date of such documents.

The information set forth herein has been obtained from HRTAC and other sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as a representation by any of such sources as to information provided by any other source. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of HRTAC or in any other matters described herein since the date hereof or, as in the case of any information incorporated herein by reference to certain publicly available documents, since the date of such documents.

#### **CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT**

Certain statements contained in this Official Statement, including the Appendices hereto, reflect not historical facts but forecasts, projections and “forward-looking statements.” No assurance can be given that the future results discussed in certain sections of this Official Statement will be achieved and actual results may differ materially from the forecasts and projections contained herein. In this respect, words such as “plan,” “expect,” “estimate,” “project,” “anticipate,” “intend,” “believe,” “budget” or words of similar import are intended to identify forward-looking statements. A number of factors affecting HRTAC and its financial results could cause actual results to differ materially from those stated in the forward-looking statements. All projections, forecasts, assumptions and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this Official Statement. Such forward-looking statements include, among others, certain of the information under the captions **“SECURITY FOR AND SOURCES OF PAYMENT OF THE SERIES 2024A BONDS,” “DESCRIPTION OF THE SERIES 2024A BONDS – Estimated Sources and Uses of Funds,” “DEVELOPMENT OF CAPITAL EXPENDITURE AND FUNDING PLANS,” “HISTORICAL COVERAGE AND PROJECTED OPERATING RESULTS,”** and **“INVESTMENT CONSIDERATIONS.”** See also **“FORWARD-LOOKING STATEMENTS.”** All statements in this Official Statement, including forward-looking statements, speak only as of the date they are made, and HRTAC and the Underwriters disclaim any obligation to update any of the forward-looking statements contained herein to reflect future events or developments.

**The achievement of certain results or other expectations contained in or implied by such forward-looking statements involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. HRTAC does not plan to issue updates or revisions to those forward-looking statements if or when its expectations change or events, conditions or circumstances on which such statements are based occur or fail to occur.**

Any references to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this offering document for purposes of, and as that term is defined in, Securities and Exchange Commission Rule 15c2-12, as amended.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Third parties may engage in transactions that stabilize, maintain or otherwise affect the price of the Series 2024A Bonds, including transactions to make purchases and sales of Series 2024A Bonds, for long or short account, on a when-issued basis or otherwise, at such prices, in such amounts and in such manner beyond the control of HRTAC.

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## OFFICIAL STATEMENT

### HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

**\$152,730,000\***

### **HAMPTON ROADS TRANSPORTATION FUND SENIOR LIEN REVENUE BONDS SERIES 2024A**

## INTRODUCTION

The purpose of this Official Statement, including the cover page and Appendices hereto, is to set forth certain information in connection with the issuance by the Hampton Roads Transportation Accountability Commission (“HRTAC” or the “Commission”) of its \$152,730,000\* Hampton Roads Transportation Fund Senior Lien Revenue Bonds, Series 2024A (the “Series 2024A Bonds”).

This information speaks as of its date and is not intended to indicate future or continuing trends in the financial or economic position of HRTAC or of the revenues that will be credited to the Hampton Roads Transportation Fund (the “HRTF”) (as described herein) and transferred to HRTAC. The following material is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement, including the Appendices hereto, reference to which is hereby made for all purposes.

Unless otherwise defined in this Official Statement, all capitalized terms shall have the meanings as set forth in Appendix A – “DEFINITIONS AND SUMMARIES OF THE MASTER INDENTURE AND THE 2024A SERIES SUPPLEMENT.”

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

HRTAC is a body politic and a political subdivision of the Commonwealth of Virginia (the “Commonwealth”) created pursuant to the Code of Virginia of 1950, as amended (the “Virginia Code”), under Title 33.2, Chapter 26, thereof (the “HRTAC Act”), and empowered to finance and construct highway, bridge and tunnel projects in Planning District 23 of the Commonwealth. Planning District 23 is an area designated by the Virginia Department of Housing and Community Development (“DHCD”) to provide a forum for addressing regional cooperation among local governments in the Hampton Roads region of southeastern Virginia (“Hampton Roads”). As provided by the HRTAC Act, the Commission embraces all of the cities and counties in Planning District 23, which currently include 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 (collectively, the “Member Localities”). All of the Member Localities other than Southampton County and the City of Franklin are located in the Virginia portion of the Virginia Beach-Norfolk-Newport News Metropolitan Statistical Area (the “Hampton Roads MSA”), certain economic and demographic information about which is included in Appendix D. Cities and counties in the Commonwealth are independent entities; therefore, the Member Localities do not overlap. Certain local governments, including but not limited to the Member Localities, have agreed to assemble as the Hampton Roads Planning District Commission (“HRPDC”); however, the Member Localities (and sources of taxable transactions generating revenues for the HRTF) are limited to the localities designated by DHCD as constituting Planning District 23 and are not entirely identical to the membership of HRPDC. The membership of the Hampton Roads Transportation Planning

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\* Preliminary, subject to change.

Organization (“HRTPO”), the federally-mandated metropolitan planning organization for transportation in the Hampton Roads region, is also not exactly the same as the composition of Planning District 23. For example, both the HRPDC and the HRTPO include Gloucester County which is not a Member Locality of HRTAC.

The HRTF was established as a nonreverting fund in the State Treasury under Chapter 766, 2013 Va. Acts of Assembly (“Chapter 766”), enacted on April 3, 2013 and effective July 1, 2013. Pursuant to Chapter 766, the General Assembly of the Commonwealth (the “General Assembly”) dedicated to the HRTF all of the revenues generated by (i) an additional 0.7% retail sales and use tax on transactions occurring within the Member Localities, and (ii) an additional wholesale motor vehicle fuels sales tax on transactions occurring in the Member Localities, which as of July 1, 2024, is at a rate of 9.0 cents per gallon on gasoline and gasohol (and 9.1 cents per gallon on diesel), subject to an annual adjustment in accordance with the consumer price index (collectively, the “HRTF Revenues”). See “HAMPTON ROADS TRANSPORTATION FUND—HRTF Revenues.”

HRTAC was established under Chapter 545, 2014 Va. Acts of Assembly (“Chapter 545”), enacted on April 3, 2014, to receive the HRTF funds and apply them to (i) funding new construction projects on new or existing highways, bridges, and tunnels in the Member Localities, giving priority to projects expected to provide the greatest impact on reducing congestion for the greatest number of citizens residing within the Member Localities, and (ii) paying the Commission’s administrative and operating expenses as provided in the Commission’s annual budget. See “HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION—HRTAC Annual Budget,” “DEVELOPMENT OF CAPITAL EXPENDITURE AND FUNDING PLANS,” and “Table 5: HRTAC Operating Budget” in Appendix E. Although HRTAC has statutory authority to enter into agreements with public or private entities for the operation and maintenance of bridges, tunnels, transit, rail facilities, and highways, the HRTAC Act does not authorize HRTAC to include in its budget any funds to independently operate and maintain such facilities or to perform any transportation service.

HRTAC and the Virginia Department of Transportation (“VDOT”) entered into a Memorandum of Agreement dated March 30, 2015 (the “HRTAC-VDOT MOA”) to set forth terms under which the two entities would cooperate, along with HRTPO, to ensure the efficient and effective development and construction of projects to be funded with HRTF Revenues. To date, all of HRTAC’s projects funded with HRTF Revenues have been part of VDOT’s statewide transportation system. Therefore, consistent with the HRTAC-VDOT MOA, HRTAC and VDOT have entered into standard project agreements (“Standard Project Agreements”) to govern their funding and performance obligations on such projects and a Project Agreement for Funding and Administration (“PAFA”) with respect to the Hampton Roads Bridge Tunnel (“HRBT”) Expansion Project. Under the PAFA and all Standard Project Agreements to date, VDOT has agreed to provide administration of project construction as well as project operation and maintenance. See “DEVELOPMENT OF CAPITAL EXPENDITURE AND FUNDING PLANS.”

The 2020 Virginia General Assembly, pursuant to Chapter 703, 2020 Va. Acts of Assembly (“Chapter 703”) and effective July 1, 2020, granted additional and specific tolling authority to HRTAC with respect to high-occupancy toll lanes designated by the Commonwealth Transportation Board (“CTB”) on Interstate 64 from Jefferson Avenue in Newport News to the interchange of Interstate 64, Interstate 264 and Interstate 664 at Bowers Hill in Chesapeake, which lanes, contiguous and in each traffic direction, are known as the “Hampton Roads Express Lanes Network” (the “Express Lanes Network” or “HRELN”). The development and construction of the HRELN is sometimes referred to herein as the “HRELN Project.” See “HRELN PROJECT.” Segment 3 of the Express Lanes Network will run through the HRBT. The funding plan for the HRBT Expansion Project (as described below) anticipates that not less than \$345,000,000 of the funding for such project will be derived through toll-backed financing supported by

the Express Lanes Network. **Although toll revenues are a source of funding for the HRELN Project, toll revenues are entirely distinct and separate from the HRTF Revenues, and toll revenues will not be pledged to or secure payment of the Series 2024A Bonds.** Conversely, certain limited transfers of HRTF Revenues described below in “SECURITY FOR AND SOURCES OF PAYMENT OF THE SERIES 2024A BONDS – Transfers of HRTF Revenues from General Fund,” will be made from the General Fund to support the toll-backed financing, such transfers being subordinate in nature to other HRTAC obligations. See “SECURITY FOR AND SOURCES OF PAYMENT OF THE SERIES 2024A BONDS – Flow of Funds.”

The 2020 Virginia General Assembly, pursuant to Chapters 1241 and 1281, 2020 Va. Acts of Assembly and effective July 1, 2020, also created the Hampton Roads Regional Transit Program and Fund (the “Hampton Roads Regional Transit Fund”) to develop, maintain, and improve a regional network of transit routes and related infrastructure in Planning District 23. 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, (ii) effective May 1, 2021, regional transient occupancy tax at a rate of one percent of the charge for the occupancy, both imposed in a transportation district in Hampton Roads as specified in the Virginia Code, and (iii) annual recordation tax transfer of \$20 million. **HRTAC manages the Hampton Roads Regional Transit Fund, but it is entirely distinct and segregated from the HRTF and will not be pledged to or secure payment of the Series 2024A Bonds.**

### **Master Indenture Structure**

The HRTAC Act provides that HRTAC may issue bonds and pledge the funds received from the HRTF as security for such bonds. The Commission has entered into a Master Indenture of Trust dated as of February 1, 2018, as previously supplemented and amended (the “Master Indenture”), between HRTAC and Wilmington Trust, National Association, as trustee (the “Trustee”), under which the Commission is authorized to issue senior lien, intermediate lien, and subordinate lien obligations, as further described herein. See “Table III: Outstanding HRTF Bonds” herein.

The Series 2024A Bonds will be paid and secured on a senior basis as to all intermediate lien revenue bonds issued by the Commission under the Master Indenture (the “Intermediate Lien Obligations”) and subordinate obligations issued by the Commission under the Master Indenture (the “Subordinate Obligations”) as to payment and security, and on a parity basis with the outstanding \$500,000,000 Senior Lien Revenue Bonds, Series 2018A (the “Series 2018A Bonds”), \$614,615,000 Senior Lien Revenue Bonds, Series 2020A (the “Series 2020A Bonds”), \$407,875,000 Senior Lien Revenue Bonds, Series 2022A (the “Series 2022A Bonds”), and all senior lien revenue bonds to be issued by the Commission under the Master Indenture (the “Senior Bonds”) that may be issued in the future. See “Table III: Outstanding HRTF Bonds” herein for a description of the outstanding par amounts of the Senior Bonds.

On June 20, 2024, the Commission adopted a resolution authorizing the issuance of the Series 2024A Bonds pursuant to the Master Indenture and an Eleventh Supplemental Series Indenture of Trust to be dated as of October 1, 2024 (the “2024A Series Supplement”), between the Commission and the Trustee. The issuance of the Series 2024A Bonds is fully authorized by the provisions of the HRTAC Act, the Master Indenture and the 2024A Series Supplement.

The Series 2024A Bonds, together with all Senior Bonds, Intermediate Lien Obligations and Subordinate Obligations issued previously or in the future under the Master Indenture, are collectively referred to herein as the “Bonds.” For further information, see “Table III: Outstanding HRTF Bonds.”

## **Purpose of the Series 2024A Bonds**

HRTAC will use the proceeds of the Series 2024A Bonds, along with other available funds, to finance a portion of the costs of the HRELN Project and to pay costs of issuance of the Series 2024A Bonds. See “DESCRIPTION OF THE SERIES 2024A BONDS—Estimated Sources and Uses of Funds.” The HRELN Project is one of the projects in the “FY 2025-2030 Six-Year Operating and Capital Plan of Finance Update for the Region’s High Priority Projects,” which was approved on June 17, 2021, and was updated on June 20, 2024 (the “Six-Year Funding Plan”). See “DEVELOPMENT OF CAPITAL EXPENDITURE AND FUNDING PLANS—HRTAC Six-Year Funding Plan.”

## **Security and Sources of Payment**

The Series 2024A Bonds are limited obligations of HRTAC that are payable solely from the funds appropriated by the General Assembly that are pledged under the Master Indenture for such purpose, consisting of the HRTAC Revenues (as defined below). The Series 2024A Bonds are on a parity basis in payment and security with the outstanding Series 2018A Bonds, the Series 2020A Bonds, the Series 2022A Bonds, and any other Senior Bonds that may be issued by HRTAC in the future. The Series 2024A Bonds will be payable and secured senior to (i) the \$141,000,000 Intermediate Lien Bond Anticipation Notes, Series 2023A (the “Series 2023A Notes”) and any other Intermediate Lien Obligations that HRTAC may issue in the future, and (ii) the \$500,789,463 TIFIA Successor Series 2021 Bond (TIFIA – 20211010A) (the “2021 Successor TIFIA Bond”), the \$817,990,000 TIFIA Series 2021 Bond (TIFIA – 20211008A) (the “2021 HRTF TIFIA Bond”), the \$141,000,000 TIFIA Series 2023 Bond (TIFIA – 20241002A) (the “2023 HRTF TIFIA Bond”), and any other Subordinate Obligations that HRTAC may issue in the future.

**The Series 2024A Bonds are not a debt of the Commonwealth or any political subdivision thereof (including any Member Locality or any member of the HRTPO or the HRPDC) other than HRTAC, and the Series 2024A Bonds do not constitute indebtedness within the meaning of any debt limitation or restriction. Neither the faith and credit nor the taxing power of the Commonwealth or any of its political subdivisions (including any Member Locality or any member of the HRTPO or the HRPDC) is pledged to the payment of the Series 2024A Bonds. HRTAC has no taxing powers.**

The Series 2024A Bonds are not secured by any mortgage or lien on any transportation facilities of HRTAC or VDOT or by any tolls collected at any transportation facility. In the event of a failure to make any payment on the Series 2024A Bonds when due, the Trustee and the owners of the Series 2024A Bonds shall not have any right to take possession of any transportation facilities or to exclude HRTAC or VDOT from possession of any transportation facilities. Additionally, in the event of non-payment, the Trustee and the owners of the Series 2024A Bonds will have no right to accelerate payment on the Series 2024A Bonds.

The “HRTAC Revenues” pledged pursuant to the Master Indenture include (i) all of the revenues appropriated by the General Assembly and transferred by the Commonwealth into the HRTF, (ii) all earnings from the investment of moneys held in any Fund or Account under and as defined in the Master Indenture, and (iii) any other revenues available under the HRTAC Act that may be designated as HRTAC Revenues pursuant to a Supplemental Indenture. The Master Indenture does not permit toll revenues to be pledged to payment of the Bonds issued thereunder (including the Series 2024A Bonds). The continued availability of tax revenues for the HRTF is subject to annual appropriation by the General Assembly of the Commonwealth. See “HAMPTON ROADS TRANSPORTATION FUND.”

## **Validation**

On August 15, 2016, the Commission instituted a bond validation proceeding in the Circuit Court for the City of Chesapeake, Virginia (the “Court”). The bond validation was not challenged. On October 7, 2016, the Court entered an Order by which the Court validated, among other things, the constitutionality and validity of the HRTAC Act, the HRTF, the six-year funding plan then in effect, the Series 2018A Bonds, the pledge of the HRTAC Revenues to the payment of Bonds, and the original version of the Master Indenture. No appeal was taken within the time prescribed in Section 15.2-2656 of the Virginia Code. The Commission is not required by law to obtain validation of any further Bonds and is not seeking any such validation of the Series 2024A Bonds.

## **HAMPTON ROADS TRANSPORTATION FUND**

### **General**

The HRTF was established under Chapter 766, effective July 1, 2013. Pursuant to Chapter 766, the General Assembly dedicated to the HRTF all of the additional revenues generated by the imposition of an additional retail sales and use tax, and an additional wholesale motor vehicle fuels sales tax, on transactions occurring within the Member Localities. See “HAMPTON ROADS TRANSPORTATION FUND—HRTF Revenues.” As described in the following section, the continued availability of these tax revenues is subject to annual appropriation by the General Assembly of the Commonwealth.

HRTAC was established under Chapter 545, enacted on April 3, 2014, to receive the HRTF funds and apply them to the financing of (i) new construction projects on new or existing highways, bridges, and tunnels in the Member Localities, and (ii) administrative and operating expenses as provided in the Commission’s annual budget (which under the HRTAC Act shall be limited solely to administrative expenses of the Commission and shall not include any funds for construction or acquisition of transportation facilities or the performance of any transportation service). Under HRTAC’s existing Standard Project Agreements with VDOT and the PAFA, project construction and expenses for operating and maintaining projects funded by HRTAC are responsibilities of VDOT. See “DEVELOPMENT OF CAPITAL EXPENDITURE AND FUNDING PLANS.”

The HRTF was created in the State Treasury to be held by the State Treasurer (the head of the Department of the Treasury) and recorded on the books of the Comptroller of Virginia (the head of the Department of Accounts) as a special non-reverting fund for Planning District 23. The tax revenues dedicated to the HRTF are collected and paid into the State Treasury and credited to the HRTF on a monthly basis net of certain fees, including an annual audit fee from the Department of Motor Vehicles (“DMV”). Interest earned on moneys in the HRTF remains in and is credited to the HRTF. Any moneys remaining in the HRTF, including interest thereon, at the end of each fiscal year of the Commonwealth will not revert to the Commonwealth’s general fund, but shall remain in the HRTF. Pursuant to Chapter 608, 2016 Va. Acts of Assembly, enacted on April 1, 2016, the amounts held in the HRTF are distributed to the Commission as soon as practicable for use in accordance with the HRTAC Act. If the Commission determines that such moneys distributed to it exceed the amount required to meet the current needs and demands to fund transportation projects pursuant to the HRTAC Act, the Commission may invest such excess funds in accordance with state law.

### **Subject-to-Appropriation**

The continued availability of the above-described tax revenues for deposit in the HRTF remains subject to annual appropriation by the General Assembly of the Commonwealth, and the General Assembly

may eliminate or change the source of funds for the HRTF at any time. Funds already transferred to the HRTF, which is a non-reverting fund, are no longer subject to appropriation but HRTAC continues to rely entirely on the Commonwealth to transmit such funds to HRTAC for inclusion in the HRTAC Revenues.

VDOT agreed, under the HRTAC-VDOT MOA, to annually request (in accordance with the schedule of the Virginia Department of Planning and Budget) for the Governor to include the HRTF Revenues in the budget delivered to the General Assembly for the next succeeding Fiscal Year or biennial period, as applicable. VDOT also agreed to promptly notify HRTAC upon becoming aware of any failure by the General Assembly to appropriate tax revenues to the HRTF. As a practical matter there is no effective remedy if the Governor and the General Assembly fail to provide for HRTF funding in the Commonwealth's Budget. Further, the HRTAC-VDOT MOA provides that VDOT shall bear no responsibility for collecting or depositing the tax revenues in the HRTF.

Under the Virginia Constitution, no appropriation is valid for more than two years and six months after the adjournment of the session of the General Assembly at which the appropriation was made. The General Assembly of the Commonwealth is not obligated to make any future appropriations, and the Commission makes no representation that the General Assembly will keep the HRTF in existence or that appropriations to the HRTF will be made by the General Assembly in any future fiscal year of the Commonwealth.

Enactment Clause 14 of Chapter 766 provides that the provisions of Chapter 766 that generate revenue through the additional state taxes for transportation projects in Planning District 23 shall expire on December 31 of any year in which the General Assembly appropriates or transfers any of such revenues for any non-transportation-related purpose (the "Sunset Provisions"). Accordingly, the appropriation or transfer by the General Assembly of "any" Chapter 766 revenue providing additional revenue for non-transportation related purposes, whether or not related to HRTF revenues, would activate the Sunset Provisions.

The General Assembly has in the past enacted other transportation legislation containing similar sunset provisions, and has from time to time made appropriations of portions of such additional revenue for non-transportation-related purposes which would have activated the applicable sunset provision had the General Assembly not also enacted a savings clause to override such provisions (a "Savings Clause"). The current appropriations act does not appropriate or transfer any of the additional transportation revenues generated by Chapter 766 for any non-transportation-related purpose.

No assurance can be given that the General Assembly will not activate Sunset Provisions in future appropriation acts, and no assurance can be given that, if any Sunset Provision is activated, the General Assembly will enact a Savings Clause to override it. See "INVESTMENT CONSIDERATIONS—Risks of Non-Appropriation and Future Legislative Actions."

## **HRTF Revenues**

This section provides a brief description of the taxes which comprise the HRTF Revenues, and is followed by separate sections describing each tax source in greater detail. The HRTF Revenues are derived from the revenues generated from the following taxes that were imposed starting July 1, 2013 on transactions taking place within Planning District 23:

(i) Additional Retail Sales and Use Tax. Section 58.1-638.H.2 of the Virginia Code provides for the deposit in the HRTF of the revenue generated by an additional retail sales and use tax of 0.70 percent



imposed on retail sales transactions within the Member Localities other than food purchased for home consumption (the “Additional Sales and Use Tax”).

(ii) Additional Wholesale Motor Vehicle Fuels Sales Tax. Section 58.1-2295.A.2 of the Virginia Code provides for the deposit in the HRTF of the revenue generated by an additional motor vehicle fuels sales tax imposed on each gallon of fuel sold by a distributor to a retail dealer for retail sale in any of the Member Localities, which as of July 1, 2024, is at the rate of 9.0 cents per gallon on gasoline and gasohol (and 9.1 cents per gallon on diesel), subject to an annual adjustment in accordance with the consumer price index (the “Additional Motor Vehicle Fuels Tax”). Prior to July 1, 2020, the Additional Motor Vehicle Fuels Tax was calculated based on 2.1% of the average statewide wholesale price per gallon, subject, beginning July 1, 2018, to a floor of 6.7 cents per gallon. Effective July 1, 2020, in conjunction with transportation reform legislation that enacted statewide changes to the Commonwealth’s method of funding transportation, the Additional Motor Vehicle Fuels Tax was changed to a per gallon rate, subject to an annual adjustment in accordance with the consumer price index, and the floor rate was eliminated. On July 1, 2024 the tax rate was adjusted in accordance with the authorizing legislation to 9.0 cents per gallon on gasoline and gasohol (and 9.1 cents per gallon on diesel) for Fiscal Year 2025.

For alternative fuels other than liquid alternative fuels, the Commissioner of the DMV shall determine an equivalent tax rate based on gasoline gallon equivalency. The Additional Motor Vehicle Fuels Tax is imposed at the time of sale by the distributor to the retail dealer and collected by the distributor. The Additional Motor Vehicle Fuels Tax shall be a debt from the retail dealer to the distributor until paid and shall be recoverable at law in the same manner as other debts. At present, the DMV Commissioner has not determined an equivalent tax rate for alternative fuels, and alternative fuels are not a component of the Additional Motor Vehicle Fuels Tax.

### **Additional Sales and Use Tax**

The Additional Sales and Use Tax is administered and collected by the State Tax Commissioner, the head of the Virginia Department of Taxation, in the same manner and subject to the same penalties as provided for the statewide retail sales and use tax. The receipts of the Additional Sales and Use Tax are deposited into the State Treasury and then credited by the Comptroller of Virginia to the HRTF. In accordance with the HRTAC-VDOT MOA, VDOT provides monthly notice to HRTAC of the Additional Sales and Use Tax collection amounts. This usually occurs during the third week of the month. The revenues are typically transferred into the HRTF within a week after such notice. HRTAC is entirely dependent on the Virginia Department of Taxation, the Virginia Department of Treasury and the Virginia Department of Accounts to collect and deposit the Additional Sales and Use Tax revenues in the HRTF and to transfer them to HRTAC for inclusion in the HRTAC Revenues.

The Additional Sales and Use Tax is imposed upon transactions in the Member Localities in addition to the statewide retail sales and use tax of 4.3% and the local option retail sales and use tax of 1.0% used by the Commonwealth and its localities for other purposes. Consumers therefore pay a total of 6% in sales and use taxes on retail transactions occurring in the Member Localities. HRTAC does not receive any revenues from the statewide or local option retail sales and use taxes, but only receives the proceeds of the 0.7% Additional Sales and Use Tax.

Under Virginia law, retail sales taxes are imposed on transactions involving (i) the business of selling at retail or distributing tangible personal property; (ii) the leasing or rental of tangible personal property as part of an established business; (iii) the storing for use or consumption in the Commonwealth of any item or article of tangible personal property or leasing or renting such property within the Commonwealth; (iv) the finishing of transient accommodations; or (v) the selling of certain services. The

tax on sales is based on the gross sales price of each item or article of tangible personal property. The seller collects the tax from the customer by separately stating the amount of the tax and adding it to the sales price or charge. The tax on accommodations, leases and rentals, which is based upon the lessor's gross proceeds from the leases and rentals, is collected by the lessor by separately stating the amount of tax and adding it to the charge made to the lessee. The tax on items or articles of tangible personal property stored in the Commonwealth for use or consumption in the Commonwealth is based on the cost price of each item or article. The tax on taxable services is based on the gross sales price of the services.

Under Virginia law, use taxes are imposed on the use or consumption of tangible personal property throughout the Commonwealth, or the storage of such property outside the Commonwealth for use or consumption in the Commonwealth. This tax applies to (i) tangible personal property purchased outside the Commonwealth that would have been subject to sales tax if purchased in the Commonwealth, and (ii) purchases, leases or rentals made in the Commonwealth if the sales tax was not paid at the time of purchase, lease or rental. In general, the use tax is based on the cost price of each item or article of tangible personal property used or consumed in the Commonwealth or the cost price of each item or article of tangible personal property stored outside the Commonwealth for use or consumption in the Commonwealth.

The Commonwealth requires all dealers with nexus to the Commonwealth to collect and remit applicable retail sales and use tax. In South Dakota v. Wayfair, 138 S. Ct. 2080 (2018), the U.S. Supreme Court held for the first time that states have the authority to collect sales tax directly from out-of-state sellers having no physical presence in the taxing state. In 2019, the Virginia General Assembly enacted Chapter 815, Acts of Assembly, which became effective on July 1, 2019 and provides uniform nexus requirements for remote sellers, marketplace facilitators, and marketplace sellers. Dealers with no Virginia physical presence are required to collect and remit sales tax if they have more than \$100,000 in Virginia gross sales or complete greater than 200 separate transactions in Virginia during the current or previous calendar year.

The Virginia Code provides various exclusions and exemptions from the retail sales and the use tax. For example, the sales and use tax is not levied upon medicines, certain purchases by nonprofit entities, certain agricultural supplies and commodities, certain industrial materials and machinery, supplies used to produce publications, and certain commercial computer equipment. Sales and use taxes are not imposed on food for human consumption except under the 1% local option sales tax described above (which is not included in the tax sources for the HRTF). Further exemptions or other legislative proposals affecting sales and use taxes may arise in the future. See "INVESTMENT CONSIDERATIONS – General Assembly May Enact Exemptions to and Holidays from Taxes."

### **Additional Motor Vehicle Fuels Tax**

The Additional Motor Vehicle Fuels Tax is administered and collected by distributors in each Member Locality and paid to the Commissioner of the DMV each month. The distributor is required to collect the tax from the retail dealer by separately stating the amount of the tax and adding it to the sales price or charge. Distributors are required to remit the collected amounts to the DMV by midnight of the 20th day of the second month succeeding the month of collection. However, remittance of the tax for the month of May must be received by the DMV no later than the last business day of June. Once received by the DMV, revenues from the Additional Motor Vehicle Fuels Tax are credited by the Comptroller of Virginia to the HRTF on a monthly basis and are thereafter distributed to HRTAC as soon as practicable. HRTAC is entirely dependent on the Virginia Department of Taxation, the DMV and the Virginia Department of Accounts to collect and deposit the Additional Motor Vehicle Fuels Tax revenues in the HRTF and to transfer them to HRTAC for inclusion in the HRTAC Revenues.

The Additional Motor Vehicle Fuels Tax is imposed upon transactions in the Member Localities and is in addition to the statewide motor vehicle fuels tax, used by the Commonwealth for other purposes. Prior to July 1, 2020, the statewide motor vehicle fuels tax was 5.1% of the statewide average wholesale price of a gallon of unleaded regular gasoline for a trailing six-month base period, subject to a designated floor price of \$3.17 per gallon. Legislation enacted by the 2020 Virginia General Assembly converted the then-existing tax rate, which equated to a rate of \$0.162 per gallon, to a cents-per-gallon rate of \$0.262 per gallon of gasoline, which rate was phased in by increasing the rate by \$0.05 per gallon each year over two years and then indexed to changes in the consumer price index.

HRTAC does not receive any revenue from the statewide motor vehicle fuels tax, but instead receives the proceeds of the Additional Motor Vehicle Fuels Tax imposed on sales of fuel by distributors at wholesale to retail dealers for retail sales in the Member Localities, at a current rate of 9.0 cents per gallon on gasoline and gasohol (and 9.1 cents per gallon on diesel), subject to an annual adjustment in accordance with the consumer price index. Unlike the change in the statewide motor vehicle fuels tax, the change in the Additional Motor Vehicle Fuels Tax was effective July 1, 2020 with no phase-in period. Further legislative proposals affecting the statewide motor vehicle fuels tax may arise from time to time. See “INVESTMENT CONSIDERATIONS – General Assembly May Enact Exemptions to and Holidays from Taxes.”

### **Legislative Discretion Regarding HRTF Revenues**

There is no assurance that the taxes comprising the HRTF Revenues will remain in effect or will continue at the current levels. The General Assembly is under no obligation to continue to impose the taxes that comprise the HRTF Revenues or appropriate the HRTF Revenues to pay debt service. See “INVESTMENT CONSIDERATIONS – Risks of Non-Appropriation and Future Legislative Actions or Administrative Actions Affecting Revenues” herein.

HRTAC makes no representation that the General Assembly will not make HRTF Revenues available as a source of payment for other transportation programs, including revenue bonds issued for other programs, or otherwise materially modify or amend the legislation creating or pertaining to the HRTF, the Additional Sales and Use Tax or the Additional Motor Vehicle Fuels Tax. While proposals to modify or amend the legislation with respect to the HRTF, the Additional Sales and Use Tax or the Additional Motor Vehicle Fuels Tax may arise from time to time, any such proposal would need General Assembly approval to become effective.

Additionally, HRTAC can provide no assurance that the General Assembly will not appropriate or transfer HRTF Revenues for non-transportation purposes activating the Sunset Provisions which if not cured would result in the termination of the Additional Sales and Use Tax or the Additional Motor Vehicle Fuels Tax. “See “INVESTMENT CONSIDERATIONS – Risks of Non-Appropriation and Future Legislative or Administrative Actions Affecting Revenues,” herein.

### **Historical HRTF Revenues**

The following Table I shows historical receipts from the two HRTF Revenue sources. Aggregate HRTF Revenues in Fiscal Years 2022, 2023 and 2024 were approximately \$243.6 million, \$252.7 million and \$263.6 million, respectively, an increase in Fiscal Year 2024 HRTF Revenues of approximately 4.31% and 8.21% compared to Fiscal Years 2023 and 2022, respectively. See also “Table IX: HRTF Revenues on a Monthly Basis” for the HRTF Revenues on a monthly basis and see also “Table 1: HRTF Revenues” in [Appendix E](#) for the presentation of Additional Sales and Use Tax and Additional Motor Vehicle Fuels Tax by jurisdiction, including the presentation of such information on a monthly basis.

**Table I**  
**Historical Hampton Roads Transportation Fund Revenues (in Millions)<sup>(1), (2)</sup>**

<b><u>Source</u></b>	<b><u>FY</u></b> <b><u>2017</u></b>	<b><u>FY</u></b> <b><u>2018</u></b>	<b><u>FY</u></b> <b><u>2019<sup>(5)</sup></u></b>	<b><u>FY</u></b> <b><u>2020<sup>(1)</sup></u></b>	<b><u>FY</u></b> <b><u>2021</u></b>	<b><u>FY</u></b> <b><u>2022</u></b>	<b><u>FY</u></b> <b><u>2023</u></b>	<b><u>FY</u></b> <b><u>2024</u></b>
Additional Sales and Use Tax <sup>(3)</sup>	\$131.5	\$136.5	\$144.6	\$146.2	\$171.6	\$184.9	\$191.9	\$196.5
Additional Motor Vehicle Fuels Tax <sup>(4)</sup>	<u>25.0</u>	<u>32.7</u>	<u>81.1<sup>(4)</sup></u>	<u>55.0</u>	<u>56.0</u>	<u>58.7</u>	<u>60.7</u>	<u>67.1</u>
<b>TOTAL<sup>(6)</sup>:</b>	<b><u>\$156.5</u></b>	<b><u>\$169.2</u></b>	<b><u>\$225.7</u></b>	<b><u>\$201.2</u></b>	<b><u>\$227.6</u></b>	<b><u>\$243.6</u></b>	<b><u>\$252.7</u></b>	<b><u>\$263.6</u></b>

Source: HRTAC. Table I reflects use of the accrual method of accounting and FY 2019 amounts differ than those set forth in Table IX due to the inclusion of more than 12 months of revenues described in Footnote (1).

- (1) At the end of Fiscal Year 2020, the Commission changed its accounting policy for recognizing revenue in order to match the Virginia Department of Transportation's income, and thus accrued two months of Sales and Use tax and three months of Motor Fuels tax as receivables and revenue for the Fiscal Year ended June 30, 2020. This was a change from prior years where the Commission accrued one month of each of such taxes. This change in accounting and revenue recognition was made due to additional information provided by the agencies that collect and remit the taxes on behalf of the Commission. Accordingly, Fiscal Years 2014 – 2018 reflect 12 months of each of the two revenue sources, but Fiscal Year 2019 reflects a total of 13 months of Additional Sales and Use Tax (with the amount of the Additional Sales and Use tax for the 13<sup>th</sup> month being \$5.21 million) and 14 months of Additional Motor Vehicle Fuels Tax (with the amount of the Additional Motor Vehicle Fuels Tax for such months being \$9.42 million), while Fiscal Year 2020 reverts to 12 months of each. The Commission did not undertake a formal restatement of its financial statements for fiscal years prior to Fiscal Year 2020.
- (2) The Commission's fiscal year ends on June 30.
- (3) The Accelerated Retail Sales and Use Tax paid in June, commencing in Fiscal Year 2015, lapsed in June 2022, but nonetheless may be enacted in future years.
- (4) Effective as of July 1, 2018, the General Assembly established a wholesale price floor for deriving the Additional Motor Vehicle Fuels Tax, as described above. Effective July 1, 2020, the General Assembly changed the tax rate to 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 on July 1, 2024 the tax rate was adjusted in accordance with the authorizing legislation to 9.0 cents per gallon on gasoline and gasohol (and 9.1 cents per gallon on diesel).
- (5) Included \$11 million special audit assessment adjustments resulting from vendor audit settlements.
- (6) Totals may not add due to rounding.

## HRELN PROJECT

### General

Pursuant to Chapter 703 and effective July 1, 2020, as codified at Section 33.2-2612 of the Virginia Code, the General Assembly granted additional and specific tolling authority to HRTAC for a network of planned contiguous high-occupancy toll lanes or other dynamically-priced travel lanes on Interstate 64, in each direction, between the interchange of Interstate 64 and Jefferson Avenue in Newport News and the interchange of Interstate 64, Interstate 264 and Interstate 664 in the Bowers Hill section of Chesapeake, which ultimately would enable continuous high occupancy lane travel throughout such corridor. When complete, the HRELN Project will consist of a continuous 44.7 miles in each traffic direction.

Chapter 703 further provides that HRELN tolls shall be collected by an electronic toll system that, to the extent possible, shall not impede the traffic flow, and such tolls may only be imposed on a portion of

the HRELN Project that has been designated as high-occupancy toll lanes by the CTB pursuant to Section 33.2-502 of the Virginia Code. The amount of the tolls shall be varied by congestion level. All such tolls may be used for programs and projects that are reasonably related to or that benefit users of the HRELN and, without limiting the foregoing, may be used to pay the debt service on and related reserves and financing costs for, and pledged to support, bonds and other evidences of indebtedness the proceeds of which are or were used for construction or improvement of the facility.

**The Series 2024A Bonds will not be paid from or secured by any toll revenues.**

### **Master Agreement for Development and Tolling**

Chapter 703 requires that prior to the imposition of tolls with respect to the HRELN Project, the Commission shall enter into an agreement with the CTB and VDOT that (i) sets the standards for the operations of the HRELN, including the collection of tolls; (ii) addresses the use and application of toll revenues and toll-backed debt proceeds and the reimbursement of any funds expended by the CTB or VDOT to convert any portion of the facility from high-occupancy vehicle lanes to high-occupancy toll lanes, as these terms are defined in Section 33.2-500 of the Virginia Code; and (iii) contains such other provisions deemed appropriate and necessary to ensure the safe and efficient operations of the general purpose and high-occupancy toll lanes on any portion of the HRELN where the Commission intends to exercise the tolling authority provided by Chapter 703.

In satisfaction of Chapter 703's requirement for such an agreement, on August 18, 2020, the Commission, the CTB, and VDOT entered into the Master Agreement for Development and Tolling of Hampton Roads Express Lanes Network (the "Master Tolling Agreement") to coordinate their efforts and actions with respect to, and to establish protocols and procedures to govern, among other things, (i) the procurement, financing, and delivery of the additional facilities to support the HRELN, including the design, construction, installation, testing and implementation of the tolling infrastructure and system, (ii) the tolling policies, (iii) the imposition, collection, and enforcement of tolls, (iv) the operation and maintenance of the tolling infrastructure and system, the high-occupancy toll lanes and the applicable Interstate 64 facilities, and (v) the uses of certain toll revenues and the proceeds of toll-backed debt.

### **HRELN Segments**

A general description and the construction status of each segment of the HRELN is as follows:

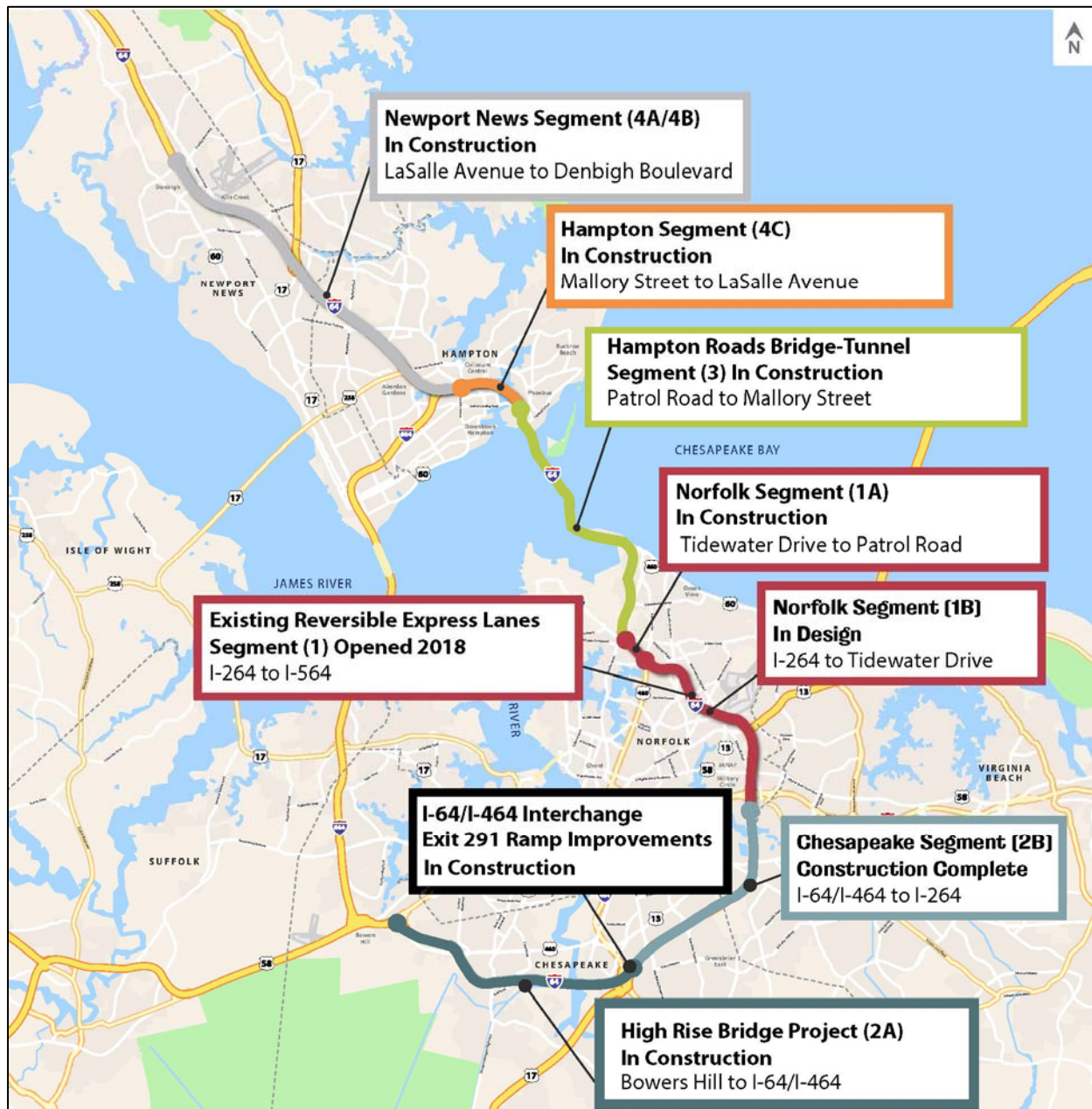
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Segment	Project Description	Status
1A	Convert existing general purpose inside shoulder lanes to part time shoulder lanes	In Construction
1B	Convert existing general purpose inside shoulder lanes to part time shoulder lanes	In Design
2A	Add one HOT lane in each direction and add new westbound lane on the High Rise Bridge over the Elizabeth River	In Construction
2B	Convert existing HOV lane into a HOT lane in each direction	Completed
3	Hampton Roads Bridge-Tunnel (HRBT) along with HOT lane tolling infrastructure in each direction	In Construction
4A/4B	Convert existing HOV lane into a HOT lane in each direction	In Construction
4C	Add on HOT lane and convert one general purpose lane into a HOT lane in each direction	In Construction
I-464 Ramp	New flyover ramp, reconfiguration of I-64 eastbound ramp, and shift the I-464 southbound diverge point for Rte. 17 and Rte. 168	In Construction
TMP	Transportation Management Plan (TMP)	In Progress

The proceeds of the Series 2024A Bonds, along with other available funds, will be used to finance a portion of the costs of the HRELN Project. For additional information regarding the current status of development and construction of certain segments of the HRELN, see the following subsections “– HRBT Expansion Project” and “– Other Segments Description and Status” and “DEVELOPMENT OF CAPITAL EXPENDITURE AND FUNDING PLANS – VDOT Agreements.”

The following map shows the various segments comprising the HRELN Project.

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## **HRBT Expansion Project**

Interstate 64 (“I-64”) is the only interstate that serves Hampton Roads. The various segments of the Express Lanes Network run through I-64 in the region, with Segment 3 of the HRELN Project including the HRBT. The “HRBT Expansion Project” is intended to address severe traffic congestion at the existing HRBT by increasing capacity and upgrading approximately ten miles of I-64 between just east of Settlers Landing Road interchange in Hampton, Virginia and Tidewater Drive west of the Interstate 64/Interstate 564 (“I-564”) interchange in Norfolk, Virginia. The 3.5 mile-long HRBT was originally placed in service in 1957, and was expanded to its current four lane configuration in 1976.

While the proceeds of the Series 2024A Bonds will not finance the HRBT Expansion Project (see the subsection “ – Other Segments Description and Status” below), the HRBT Expansion Project is a central component of the HRELN Project. For over three decades, public and area leaders have identified persistent and significant traffic congestion and delays at the HRBT as an important issue for the Hampton Roads region, with vehicles routinely queuing for miles in each direction. More than 90,000 vehicles use the existing HRBT daily, seasonally exceeding 100,000 vehicles per day, which represents about half of all traffic crossing the James River/Hampton Roads water body between the lower “Peninsula” formed by the James and York Rivers and South Hampton Roads. The HRBT is part of the Hampton Roads Beltway, an approximate 55-mile loop of I-64 and I-664, encircling the metropolitan area. Likewise, the HRBT is an important regional transportation link for residential, commercial, industrial, and military mobility.

The HRBT Expansion Project will widen I-64 for approximately ten miles, including the 3.5-mile long water crossing to create an eight lane bridge-tunnel facility with six consistent lanes. The expanded facility will include four general purpose lanes (two in each direction), two new High Occupancy Toll (“HOT”) lanes (one in each direction) and two new drivable (hard-running) shoulders (one in each direction) to be used as HOT lanes during certain times of the day. The HOT lanes will be incorporated into the Express Lanes Network, as part of Segment 3.

Under the PAFA between HRTAC and VDOT relating to the HRBT Expansion Project, HRTAC provides most of the funding relating to project construction, up to a maximum financial commitment of \$3.562 billion. VDOT, in turn, administers the HRBT Expansion Project through a Comprehensive Agreement with the design-build contractor (the “Comprehensive Agreement”).

On July 28, 2023, the design-build contractor sought an extension of the agreed-upon schedule for project completion, an adjustment to the contract price, and relief from the cap that applies to certain commodities price adjustments, along with other relief based on various asserted delays and construction issues related to the HRBT Expansion Project. In February 2024, CTB, VDOT, the TIFIA Lender, HRTAC and the design-builder implemented amendments to the Comprehensive Agreement, the PAFA and the 2021 Toll TIFIA Loan Agreement (as defined below) to, among other things, amend the Comprehensive Agreement to extend the substantial completion deadline for the HRBT Expansion Project from September 1, 2025 to February 26, 2027, realign the milestone dates on which the design-build contractor may earn its early completion incentive payment (or a portion thereof), with such reset substantial completion deadline, and enable the design-builder contractor to receive up to \$373,119,941 in additional compensation relating to certain commodities adjustments. The PAFA was amended to provide that the additional compensation will be supported, first, by the remaining contingency reserve under the PAFA that HRTAC funds, which totaled \$265,495,663 at the time, and then by a supplemental contingency of \$107,624,278, which will be funded in equal halves (50%/50%) by VDOT and HRTAC. HRTAC’s \$53,812,139 share of the supplemental contingency does not increase its \$3.562 billion maximum financial commitment to the HRBT Expansion Project because its funding obligations relating to construction costs were previously decreased by \$53,812,139 when certain work was de-scoped from the Comprehensive Agreement. The



anticipated future HRTAC funding plans presented elsewhere in this Official Statement assume that HRTAC's existing contractual commitments with respect to the HRBT Expansion Project will be sufficient for project contingencies and do not account for any future commitments that could be made by HRTAC if the supplemental contingency is exhausted and additional funding is required to cover subsequent claims by the design-build contractor. See "Table IV: HRTAC Projects Under Agreements With VDOT."

## Other Segments Description and Status

HRTAC expects to use the proceeds of the Series 2024A Bonds, along with other available funds, to finance a portion of the costs of Segments 1A, 1B, 4A/4B, and 4C, and the I-64/I-464 Interchange Improvements or other portions of the HRELN Project.

**Segment 1A.** Segment 1A will provide a safe and more reliable travel option for motorists across the region and help relieve congestion at key locations along I-64, spanning from 0.150 miles east of Patrol Road to 0.667 miles east of Tidewater Drive. This Segment of interstate converts an existing general purpose inside shoulder lane into a part time shoulder HOT lane in both directions. Key components of the project include widening five bridges and rehabilitating three bridges, as well as rehabilitating and strengthening two miles of shoulder in each direction. Additionally, Segment 1A involves widening the roadway at specific locations to ensure the minimum required shoulder width is maintained, along with the implementation of noise walls, tolling gantries, and overhead signing for enhanced operational efficiency. The project has completed all required environmental reviews. The Federal Highway Administration ("FHWA") approved the environmental document (Categorical Exclusion) on February 24, 2021.

Major Milestones	Date
Notice to Proceed (NTP)	12/20/2022
End of Scope Validation Period	04/20/2023
Construction Complete	01/15/2026

Total Project Construction Budget:	\$197.7 million
HRTAC Obligation:	\$94.1 million
VDOT Obligation:	\$103.6 million

**Segment 1B.** Segment 1B will also provide a safe and more reliable travel option for motorists across the region and help relieve congestion at key locations along I-64, including converting an existing general purpose inside shoulder lane into a part time shoulder HOT lane in both directions, covering the stretch from 0.663 miles east of Tidewater Drive to 1.04 miles east of I-264. Key components of this Segment include the replacement of the eastbound/westbound Chesapeake Boulevard bridges, rehabilitation and strengthening of seven miles of shoulder in each direction, spot widening of the roadway to ensure the maintenance of minimum shoulder width, and incorporation of noise walls, tolling gantries, and overhead signing for comprehensive operational enhancements. The project has completed all required environmental reviews. The FHWA approved the environmental document (Categorical Exclusion) on February 24, 2021.

Major Milestones	Date
Request for Qualifications	11/04/2024
Issue Request for Proposals	03/05/2025
Notice of Intent to Award	08/29/2025
Construction Complete	11/01/2029

Total Project Construction Budget: \$361.7 million  
 HRTAC Obligation: \$300.3 million  
 VDOT Obligation: \$61.4 million

**Segment 4A/4B.** Segment 4A/4B spans from 1.2 miles west of the Denbigh Boulevard overpass to the eastern end of the Armistead Avenue bridge (east of LaSalle Avenue) for a total length of approximately 13.5 miles. The purpose of this project is to convert the existing high occupancy vehicle (HOV) lanes into HOT lanes for the portion of the Segment where these lanes are located. This portion of the Segment is approximately 10.5 miles. For the portion of the Segment where there are no existing HOV lanes, a general purpose lane will be converted to a HOT lane and the westbound and eastbound lanes will be widened to add buffer between the proposed HOT lane and general purpose lane in each direction. The proposed improvements include the replacement of the I-64 westbound and eastbound bridges over LaSalle Avenue. Interstate ramps will be realigned as needed. The project has completed all required environmental reviews. The FHWA approved the environmental document (Categorical Exclusion) on January 27, 2022.

Major Milestones	Date
Notice to Proceed (NTP)	03/04/2024
Construction Complete	05/03/2027

Total Project Construction Budget: \$164 million  
 HRTAC Obligation: \$143 million  
 VDOT Obligation: \$21 million

**Segment 4C.** Segment 4C consists of the widening of eastbound and westbound I-64 from 0.139 miles East of LaSalle Avenue to 0.379 miles east of Settlers Landing Road on I-64 in Hampton and the conversion of the three existing eastbound and westbound general purpose lanes in each direction into two new HOT lanes (one in each direction) and two new drivable (hard-running) shoulders (one in each direction) to be used as HOT lanes during certain times of the day and two general purpose lanes (in each direction).

Major Milestones	Date
Notice to Proceed (NTP)	08/01/2022
End of Scope Validation Period	01/30/2023
Construction Complete	12/30/2026

Total Project Construction Budget: \$408 million  
HRTAC Obligation: \$405 million  
VDOT Obligation: \$3 million

**I-64/I-464 Interchange Improvements.** The I-64 and I-464 interchange improvements project includes the widening of I-64 at Exit 291A to accommodate two lanes of travel at the exit, construction of a new ramp to the new flyover bridge, and reconfiguration of the ramp to I-464 North, which will help eliminate the need to cross multiple lanes of traffic to go from the loop ramp to the split. Additionally, the roadway approaching the I-464 South overpass bridge will be rehabilitated and modified with a 12-foot outside shoulder and 4-foot inside shoulder, and the I-464 South overpass bridge will be rehabilitated and modified with two 12-foot lanes and two 12-foot shoulders.

Major Milestones	Date
Notice to Proceed (NTP)	02/05/2024
End of Scope Validation Period	09/26/2024
Construction Complete	08/31/2027

Total Project Construction Budget: \$155 million  
HRTAC Obligation: \$15 million  
VDOT Obligation: \$140 million

## DESCRIPTION OF THE SERIES 2024A BONDS

### General

The Series 2024A Bonds will be issued as fully registered bonds in book-entry form. The Series 2024A Bonds will be dated their date of delivery, will be issued in denominations of \$5,000 or integral multiples of \$5,000, and will bear interest from the dated date thereof, payable semiannually on each January 1 and July 1, beginning January 1, 2025,\* at the rate and will mature on the date and in the amount set forth on the inside front cover of this Official Statement. Interest on the Series 2024A Bonds will be computed on the basis of a year of 360 days and twelve 30-day months. Interest will be payable to the registered owners of the Series 2024A Bonds at their addresses as they appear on the fifteenth day of the month preceding the interest payment date on the registration books kept by the Trustee. Principal of, premium, if any, and interest on the Series 2024A Bonds will be paid by the Trustee to The Depository Trust Company (“DTC”) for distribution to its Direct and Indirect Participants (as defined in Appendix G). See “DESCRIPTION OF THE SERIES 2024A BONDS—Book-Entry System” herein, and Appendix G.

### Estimated Sources and Uses of Funds

Set forth below are the expected amounts and components of the proceeds of the sale of the Series 2024A Bonds and the application of the proceeds on the date of delivery of the Series 2024A Bonds:

#### Sources:

Principal Amount of Series 2024A Bonds	\$ _____
[Net] Original Issue [Premium][Discount]	_____
Total Sources:	<u>\$ _____</u>

#### Uses:

Deposit to Project Fund	\$ _____
Issuance Expenses <sup>(1)</sup>	_____
Total Uses:	<u>\$ _____</u>

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<sup>(1)</sup> Includes Underwriter’s discount, legal fees, printing costs, financial advisor fees, etc. See “UNDERWRITING.”

### Redemption\*

**Optional Redemption.** The Series 2024A Bonds maturing on or before July 1, 20\_\_, will not be subject to optional redemption before their respective maturity dates. The Series 2024A Bonds maturing on and after July 1, 20\_\_, may be redeemed prior to their respective maturities, at the option of HRTAC, from any moneys that may be made available for such purpose, either in whole or in part (in \$5,000 increments), on any date and in such order as HRTAC shall determine on and after July 1, 20\_\_, at 100% of the principal amount to be redeemed together with the interest accrued thereon to the date fixed for redemption.

**[Mandatory Redemption.]** The Series 2024A Bonds maturing on July 1, 20\_\_, are subject to mandatory sinking fund redemption prior to maturity in the years and amounts set forth below upon payment of 100% of the principal amount to be redeemed plus interest accrued to the redemption date:

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\* Preliminary, subject to change.

Year

Amount

\*final maturity

]

***Selection of Bonds for Redemption.*** If less than all of the Series 2024A Bonds are called for optional redemption, HRTAC will select the maturities of the serial bonds and portions of the amortization of the term bonds to be redeemed and will designate such selection in an Officer's Certificate.

If less than all of the Series 2024A Bonds of a serial maturity are called for redemption, the particular Series 2024A Bonds of such maturity to be redeemed will be selected by DTC or any successor securities depository pursuant to its rules and procedures or, if the book entry system is discontinued, will be selected by the Registrar (as defined in Appendix A) by lot in such manner as the Registrar at its discretion may determine.

The portion of any Bond to be redeemed shall be in the principal amount of \$5,000 or some multiple thereof. In selecting Bonds for redemption, each Bond shall be considered as representing that number of Bonds that is obtained by dividing the principal amount of such Bond by \$5,000. If a portion of a Bond shall be called for redemption, a new Bond in principal amount equal to the unredeemed portion thereof shall be issued to the registered owner upon the surrender thereof.

#### **Notice of Redemption**

HRTAC will direct the Trustee to give notice in the name of HRTAC if any Bonds have been called for redemption, and the Trustee shall cause notice of the redemption to be delivered not less than 20 nor more than 60 days prior to the redemption date, to the holders of the Series 2024A Bonds to be redeemed, stating that such Bonds will be due and payable on the date fixed for redemption upon surrender of such Bonds at the designated corporate trust office of the Trustee, stating the applicable redemption price, and stating that all interest on such Bonds will cease to accrue on and after the redemption date. The notice of optional redemption may, on written instructions of HRTAC to the Trustee, state (i) that it is conditional on the deposit of redemption moneys with the Trustee not later than the opening of business on the redemption date, and/or (ii) that HRTAC has retained the right to rescind the redemption.

During the period that DTC or its nominee is the registered holder of the Series 2024A Bonds, the Trustee will not be responsible for mailing notices of redemption to the beneficial owners of the Series 2024A Bonds, but shall send such notice to DTC according to its requirements.

#### **Book-Entry System**

The Series 2024A Bonds will be available only in book-entry form. DTC will act as securities depository for the Series 2024A Bonds. The Series 2024A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for the Series 2024A Bonds and will be deposited with DTC. See Appendix G.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE SERIES 2024A BONDS, AS NOMINEE OF DTC, REFERENCES IN THIS OFFICIAL STATEMENT TO THE OWNERS OF

THE SERIES 2024A BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS, AND CEDE & CO. WILL BE TREATED AS THE ONLY OWNER OF THE SERIES 2024A BONDS FOR ALL PURPOSES UNDER THE MASTER INDENTURE AND THE 2024A SERIES SUPPLEMENT.

Neither the Commission nor the Trustee has any responsibility or obligation to the Direct or Indirect Participants (as defined in Appendix G) or the Beneficial Owners with respect to (a) the accuracy of any records maintained by DTC or any Direct or Indirect Participant; (b) the payment by any Direct or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal of, premium, if any, and interest on the Series 2024A Bonds; (c) the delivery or timeliness of delivery by any Direct or Indirect Participant of any notice to any Beneficial Owner that is required or permitted under the terms of the Master Indenture to be given to Bondholders; or (d) any other action taken by DTC, or its nominee, Cede & Co., as Bondholder, including the effectiveness of any action taken pursuant to an Omnibus Proxy.

### ESTIMATED DEBT SERVICE REQUIREMENTS

The following Table II sets forth for each fiscal year the estimated principal and interest payments on the Series 2024A Bonds, as of the date of issuance of the Series 2024A Bonds. ***Table II should be reviewed in conjunction with Table XI herein, which includes projected debt service requirements for HRTAC's Senior Bonds, Intermediate Lien Obligations, and Subordinate Obligations.***

**Table II**  
**Estimated Debt Service Requirements on the Series 2024A Bonds\***

<u>Payment Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
7/1/2025	\$ -	\$5,281,912.50	\$5,281,912.50
7/1/2026	-	7,636,500.00	7,636,500.00
7/1/2027	-	7,636,500.00	7,636,500.00
7/1/2028	-	7,636,500.00	7,636,500.00
7/1/2029	-	7,636,500.00	7,636,500.00
7/1/2030	1,690,000	7,636,500.00	9,326,500.00
7/1/2031	1,775,000	7,552,000.00	9,327,000.00
7/1/2032	1,865,000	7,463,250.00	9,328,250.00
7/1/2033	1,955,000	7,370,000.00	9,325,000.00
7/1/2034	2,055,000	7,272,250.00	9,327,250.00
7/1/2035	2,160,000	7,169,500.00	9,329,500.00
7/1/2036	2,265,000	7,061,500.00	9,326,500.00
7/1/2037	2,380,000	6,948,250.00	9,328,250.00
7/1/2038	2,500,000	6,829,250.00	9,329,250.00
7/1/2039	2,625,000	6,704,250.00	9,329,250.00
7/1/2040	2,755,000	6,573,000.00	9,328,000.00
7/1/2041	2,890,000	6,435,250.00	9,325,250.00
7/1/2042	3,035,000	6,290,750.00	9,325,750.00
7/1/2043	3,190,000	6,139,000.00	9,329,000.00
7/1/2044	3,350,000	5,979,500.00	9,329,500.00
7/1/2045	3,515,000	5,812,000.00	9,327,000.00
7/1/2046	3,690,000	5,636,250.00	9,326,250.00
7/1/2047	3,875,000	5,451,750.00	9,326,750.00
7/1/2048	4,070,000	5,258,000.00	9,328,000.00
7/1/2049	4,275,000	5,054,500.00	9,329,500.00
7/1/2050	4,485,000	4,840,750.00	9,325,750.00
7/1/2051	4,710,000	4,616,500.00	9,326,500.00
7/1/2052	4,945,000	4,381,000.00	9,326,000.00
7/1/2053	5,195,000	4,133,750.00	9,328,750.00
7/1/2054	5,455,000	3,874,000.00	9,329,000.00
7/1/2055	5,725,000	3,601,250.00	9,326,250.00
7/1/2056	6,010,000	3,315,000.00	9,325,000.00
7/1/2057	6,315,000	3,014,500.00	9,329,500.00
7/1/2058	6,630,000	2,698,750.00	9,328,750.00
7/1/2059	6,960,000	2,367,250.00	9,327,250.00
7/1/2060	7,310,000	2,019,250.00	9,329,250.00
7/1/2061	7,675,000	1,653,750.00	9,328,750.00
7/1/2062	8,055,000	1,270,000.00	9,325,000.00
7/1/2063	8,460,000	867,250.00	9,327,250.00
7/1/2064	8,885,000	444,250.00	9,329,250.00
<b>Total</b>	<b>\$152,730,000</b>	<b>\$209,561,912.50</b>	<b>\$362,291,912.50</b>

\* Preliminary, subject to change.

## SECURITY FOR AND SOURCES OF PAYMENT OF THE SERIES 2024A BONDS

### Limited Obligations

The Series 2024A Bonds are limited obligations of HRTAC and are payable solely as Senior Bonds from the revenues, moneys and other property pledged by the Master Indenture for such purpose, consisting of the HRTAC Revenues. The pledged HRTAC Revenues include (i) the amounts credited by the Comptroller of Virginia to the HRTF and transferred to HRTAC, including the Additional Sales and Use Tax revenues and the Additional Motor Vehicle Fuels Tax revenues, (ii) all earnings from the investment of moneys held in any Fund or Account under and as defined in the Master Indenture, and (iii) any other revenues available under the HRTAC Act that pursuant to a Supplemental Indenture may be hereafter designated as HRTAC Revenues. The availability of such Additional Sales and Use Tax revenues and Additional Motor Vehicle Fuels Tax revenues for deposit into the HRTF is subject to annual appropriation by the General Assembly, and the General Assembly may eliminate or change such taxes and fees at any time. The receipt of such funds is also conditioned upon their use for transportation-related purposes, specifically new construction projects on new or existing highways, bridges or tunnels in the Member Localities. See “HAMPTON ROADS TRANSPORTATION FUND—Subject-to-Appropriation” above.

The realization of amounts to be derived upon the enforcement of the Series 2024A Bonds will depend upon the exercise and effectiveness of the remedies specified in the Master Indenture. These and other remedies may, in many respects, require judicial action of a nature that is often subject to discretion and delay. Under existing laws, the remedies specified in the Master Indenture may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2024A Bonds will be qualified as to the enforceability of various legal instruments by limitations imposed by state and federal laws, rulings and decisions affecting remedies and by bankruptcy, fraudulent conveyance, reorganization and other laws affecting the enforcement of creditors’ rights generally. See “INVESTMENT CONSIDERATIONS—Limitation on Remedies” herein, and “THE MASTER INDENTURE—Events of Default and Remedies Upon Default” in [Appendix A](#).

**The Series 2024A Bonds are not a debt of the Commonwealth or any political subdivision thereof (including any Member Locality or any member of the HRTPO or the HRPDC) other than the Commission, and the Series 2024A Bonds do not constitute indebtedness within the meaning of any debt limitation or restriction. Neither the faith and credit nor the taxing power of the Commonwealth or any of its political subdivisions (including any Member Locality or any member of the HRTPO or the HRPDC) is pledged to the payment of the Series 2024A Bonds. The Commission has no taxing powers.**

### Pledges Under the Master Indenture

**Senior Bonds.** The Series 2024A Bonds are being issued as Senior Bonds and are the fifth series of Senior Bonds issued by HRTAC under the Master Indenture. The Series 2024A Bonds are payable as to principal and interest from, and secured by, a pledge of HRTAC Revenues that is on parity with the payment of principal of and interest on all outstanding Senior Bonds, including the Series 2018A Bonds, the Series 2020A Bonds, and the Series 2022A Bonds, and senior to all Intermediate Lien Obligations, including the Series 2023A Notes, and all Subordinate Obligations, including the 2021 Successor TIFIA Bond, the 2021 HRTF TIFIA Bond, and the 2023 HRTF TIFIA Bond.

**Indenture Accounts.** With respect to the Series 2024A Bonds, the 2024A Series Supplement establishes solely for the benefit of the Owners of the Series 2024A Bonds, the Series 2024A Interest



Account, the Series 2024A Principal Account, the Series 2024A Costs of Issuance Fund and the Series 2024A Project Fund, which are pledged exclusively to secure the obligations of HRTAC to the Owners of the Series 2024A Bonds. The Series 2024A Rebate Account is created exclusively to make certain payments, if any, to maintain the federal tax-exempt status of the Series 2024A Bonds, and is not pledged to the repayment of the Series 2024A Bonds.

***Payment of Interest and Principal.*** Interest to be paid on the Series 2024A Bonds shall be paid from the HRTAC Revenues, subject to the prior application of such funds as described below under “SECURITY FOR AND SOURCES OF PAYMENT OF THE SERIES 2024A BONDS—Flow of Funds.”

***TIFIA Loan Agreements.*** The 2021 Successor TIFIA Bond, the 2021 HRTF TIFIA Bond, and the 2023 HRTF TIFIA Bond are subordinate in payment and security to all Senior Bonds including the Series 2024A Bonds, although the Commission has agreed to certain mandatory prepayment provisions under the terms of, respectively, the Successor 2019/2021 TIFIA Loan Agreement dated September 21, 2021, between the U.S. Department of Transportation (“USDOT”), an agency of the United States of America, acting by and through the Executive Director of the Build America Bureau (the “TIFIA Lender”) and HRTAC (the “Successor 2019/2021 TIFIA Loan Agreement”), the TIFIA Loan Agreement (HRTF Revenues) dated September 21, 2021, between USDOT and HRTAC (the “2021 HRTF TIFIA Loan Agreement,” and the TIFIA Loan Agreement (HRTF Revenues) dated November 14, 2023, between USDOT and HRTAC (the “2023 HRTF TIFIA Loan Agreement,” and together with the Successor 2019/2021 TIFIA Loan Agreement and the 2021 HRTF TIFIA Loan Agreement, the “TIFIA Loan Agreements”). The TIFIA Loan Agreements are the agreements under which the TIFIA Lender has extended direct loans, respectively, in an aggregate principal amount not to exceed \$500,789,463 (the “2021 Successor TIFIA Loan”), in an aggregate principal amount not to exceed \$817,990,000 (the “2021 HRTF TIFIA Loan”), and in an aggregate principal amount not to exceed \$141,000,000 (the “2023 HRTF TIFIA Loan,” and together with the 2021 Successor TIFIA Loan and the 2021 HRTF TIFIA Loan, the “TIFIA Loans”). HRTAC issued and delivered to the TIFIA Lender the 2021 Successor TIFIA Bond as a Subordinate Obligation to evidence HRTAC’s obligation to repay the 2021 Successor TIFIA Loan, the 2021 HRTF TIFIA Bond as a Subordinate Obligation to evidence HRTAC’s obligation to repay the 2021 HRTF TIFIA Loan, and the 2023 HRTF TIFIA Bond as a Subordinate Obligation to evidence HRTAC’s obligation to repay the 2023 HRTF TIFIA Loan. See “TIFIA LOAN AGREEMENTS.” Both of the 2021 Successor TIFIA Bond and 2021 HRTF TIFIA Bond are fully drawn, while the 2023 HRTF TIFIA Loan is currently undrawn. With respect to the latter, HRTAC expects to draw on it to repay, at maturity, the outstanding Series 2023A Notes.

As more particularly described under “TIFIA LOAN AGREEMENTS,” there are numerous conditions that must be satisfied by HRTAC in connection with the requisitioning of moneys under the TIFIA Loan Agreements, including certain conditions relating to third parties, such as VDOT, over which HRTAC has no control. In addition, the TIFIA Lender may refuse to honor a requisition if, among other things, an event of default under the TIFIA Loan Agreements or certain other material contracts has occurred and is continuing, or if HRTAC or certain other parties are not in compliance with federal law or their obligations under certain material contracts. See “TIFIA LOAN AGREEMENTS – Disbursement Conditions,” and “INVESTMENT CONSIDERATIONS – No Assurance of Funds under 2023 TIFIA Loan Agreement.” HRTAC has agreed in the applicable series supplements to take all actions necessary to ensure that it can requisition sufficient moneys under the 2023 HRTF TIFIA Loan Agreement to pay the principal of the Series 2023A Notes on their maturity date. See “TIFIA LOAN AGREEMENTS – Disbursement Conditions.”

The Commission is also a party to the 2021 Toll TIFIA Loan Agreement. See “SECURITY FOR AND SOURCES OF PAYMENT OF THE SERIES 2024A BONDS – Pledges Under the Master Indenture -- No Toll Revenues.”

***No Mortgage, Lien or Acceleration.*** The Series 2024A Bonds are not secured by any mortgage or lien on any transportation facilities of the Commission, VDOT, the Commonwealth, or any of the Member Localities or by a pledge of the revenues derived from any such facility. In the event of a failure to make any payment on the Series 2024A Bonds when due, neither the Trustee nor the owners of the Series 2024A Bonds shall have any right to take possession of any transportation facilities or to exclude the Commission, VDOT, the Commonwealth, or any of the Member Localities from possession of them, nor shall there be any right to accelerate payment of the Series 2024A Bonds.

***No Toll Revenues.*** The Series 2024A Bonds will not be paid from or secured by any toll revenues. The Commission has entered into the 2021 Toll TIFIA Loan Agreement (the “2021 Toll TIFIA Loan Agreement”) between the Commission and the TIFIA Lender, with the obligation of the Commission to repay the loan under the 2021 Toll TIFIA Loan Agreement evidenced by an obligation under a Master Indenture of Trust between the Commission and U.S. Bank Trust Company, National Association, as trustee, dated as of September 1, 2021 (the “Master Toll Indenture”), in an initial principal amount of up to \$345,000,000 (the “TIFIA Series 2021 Toll Bond”). For additional discussion on the 2021 Toll TIFIA Loan Agreement and the TIFIA Series 2021 Toll Bond, see “SECURITY FOR AND SOURCES OF PAYMENT OF THE SERIES 2024A BONDS – Flow of Funds -- Transfers of HRTF Revenues from General Fund to Support Toll Revenue Bonds.” The Series 2024A Bonds are not supported by toll revenues or secured by a pledge of any toll revenues, as the Master Indenture does not permit toll revenues to be pledged to the payment of the Bonds. Although the funding plan for the HRBT Expansion Project anticipates that not less than \$345,000,000, of the funding for such project will be derived through toll-backed financing from the Express Lanes Network, such revenues are a source of project funding that is entirely distinct and separate from the HRTF Revenues and are not included under the Master Indenture waterfall. Conversely, certain limited transfers of HRTF Revenues, described below in “SECURITY FOR AND SOURCES OF PAYMENT OF THE SERIES 2024A BONDS – Flow of Funds -- Transfers of HRTF Revenues from General Fund to Support Toll Revenue Bonds,” will support the toll-backed debt, such transfers being made from the General Fund and accordingly being subordinate in nature to other HRTAC obligations.

### **Outstanding HRTF Bonds**

As of the date of this Official Statement, the following table describes Commission obligations outstanding that are secured by or payable from HRTAC Revenues, other than the limited transfers of HRTF Revenues described below in “SECURITY FOR AND SOURCES OF PAYMENT OF THE SERIES 2024A BONDS – Transfers of HRTF Revenues from General Fund” to support the TIFIA Series 2021 Toll Bond, such transfers being made from the General Fund and accordingly being subordinate in nature to other HRTAC obligations.

**Table III**  
**Outstanding HRTF Bonds**

Series	Delivery Date	Lien	Original Par	Outstanding Par <sup>(1)</sup>	Final Maturity
2018A Bonds <sup>(2)</sup>	2/14/2018	Senior	\$ 500,000,000	\$ 135,925,000	2047
2020A Bonds	10/22/2020	Senior	614,615,000	614,615,000	2060
2021 Successor TIFIA Bond <sup>(3)</sup>	9/21/2021	Subordinate	500,789,463	500,789,463	2055
2021 HRTF TIFIA Bond	9/21/2021	Subordinate	817,990,000	817,990,000	2060
2022A Bonds	5/19/2022	Senior	407,875,000	407,875,000	2057
2023A Notes	11/16/2023	Intermediate	141,000,000	141,000,000	2027
2023A TIFIA Bond	11/14/2023	Subordinate	141,000,000	0 <sup>(4)</sup>	2061
<b>Total</b>			<u>\$3,123,269,463</u>	<u>\$2,618,194,459</u>	

Source: HRTAC

(1) Does not include accrued interest.

(2) On April 19, 2022, the Commission utilized available amounts in the General Fund to defease \$364,075,000 of the Series 2018A Bonds.

(3) Originally issued December 10, 2019 and refinanced on September 21, 2021.

(4) The Commission's 2023 HRTF TIFIA Bond is currently undrawn; as described elsewhere in this Official Statement, the Commission expects to draw on such obligation loan to repay, at maturity, the outstanding Series 2023A Notes.

### **Additional Bonds**

*Authority to Issue Additional Bonds.* Under the Master Indenture, the Commission may issue additional Bonds, including (i) Senior Bonds that are on a parity as to the pledge of HRTAC Revenues with the Series 2024A Bonds, (ii) Intermediate Lien Obligations that are subordinate as to the pledge of HRTAC Revenues with the Series 2024A Bonds and subordinate in payment and security to all Senior Bonds, and (iii) Subordinate Obligations that are subordinate in payment and security to all Intermediate Lien Obligations and all Senior Bonds. The Series 2024A Bonds and all other Senior Bonds will be equally and ratably secured under the Master Indenture without preference, priority or distinction on account of the time of their authentication, delivery or maturity. However, different Series of Senior Bonds may bear interest at different rates, have different maturity dates and payment dates, may be subject to different mandatory or optional redemption or tender terms, and may have the benefit of credit facilities that do not support other Series of Senior Bonds. See "THE MASTER INDENTURE—Issuance of Bonds—Parity of Bonds" in Appendix A.

The following sections describe the Master Indenture's requirements for the issuance of additional Bonds. See also "THE MASTER INDENTURE – Issuance of Bonds" in Appendix A. In addition, the TIFIA Loan Agreements require that HRTAC satisfy certain conditions with respect to the issuance of additional obligations under the Master Indenture. See "TIFIA LOAN AGREEMENTS – Representations, Warranties and Covenants - Permitted Indebtedness" for a summary of these requirements.

*Conditions to the Issuance of Senior Bonds.* The Master Indenture requires as a condition to the issuance of any additional Senior Bonds for non-refunding purposes the filing with the Trustee of an Officer's Certificate to the effect that, during any twelve consecutive months of the eighteen months preceding the issuance of the additional Senior Bonds, the HRTAC Revenues were not less than 2.00 times the maximum annual Principal and Interest Requirements (excluding any Excluded Interest Payments and Excluded Principal Payments to the extent permitted by the Master Indenture) during the current or any future Fiscal Year (defined in the Master Indenture as the twelve-month period commencing on July 1 of one year and ending on June 30 of the following year)) on all Senior Bonds Outstanding and the Series of

Senior Bonds to be issued. See “THE MASTER INDENTURE—Issuance of Bonds—Conditions to the Issuance of Additional Series of Bonds” in Appendix A.

*Conditions to the Issuance of Intermediate Lien Obligations.* HRTAC is permitted to issue Intermediate Lien Obligations secured by the HRTAC Revenues, the payment and security of each which shall be subordinate to all Senior Bonds and to the Senior Debt Service Fund deposits required to be made under the Master Indenture. The Series Supplement pursuant to which the Series 2023A Notes were issued provides that HRTAC must satisfy the following requirements in connection with the issuance of additional Intermediate Lien Obligations, other than any Intermediate Lien Obligations that may be incurred to rollover or refinance the 2023A Notes: (i) unless such additional Intermediate Lien Obligations shall not be secured by or participating in a debt service reserve fund, there shall be or have been established in connection with such additional Intermediate Lien Obligations, an Intermediate Lien Debt Service Reserve Fund as provided in the Master Indenture; (ii) HRTAC shall file with the Trustee an Officer’s Certificate to the effect that the Intermediate Lien Debt Service Reserve Fund Requirement, calculated immediately after the issuance of such additional Intermediate Lien Obligations, will be met effective upon the issuance of such additional Intermediate Lien Obligations; (iii) HRTAC shall file with the Trustee an Officer’s Certificate to the effect that during any twelve consecutive months of the eighteen months preceding the issuance of the Bonds to be issued, the HRTAC Revenues were not less than 1.75 times the maximum annual Principal and Interest Requirements during the current or any future Fiscal Year on any Senior Bonds and Intermediate Lien Obligations then Outstanding plus the Intermediate Lien Obligations to be issued; and (iv) HRTAC shall file with the Trustee an Officer’s Certificate demonstrating that, for each Fiscal Year while such Intermediate Lien Obligations will be Outstanding, HRTAC Revenues are projected by HRTAC to equal at least 1.35 times the annual aggregate Principal and Interest Requirements during the current or any future Fiscal Year on any Senior Bonds, Intermediate Lien Obligations, and Subordinate Lien Obligations then Outstanding plus the Series of Intermediate Lien Obligations to be issued. Such projections shall be in reasonable detail and may be made by HRTAC in consultation with the Virginia Department of Transportation and the Virginia Department of Taxation or other relevant state, regional or local agency.

*Conditions to the Issuance of Subordinate Obligations.* HRTAC is permitted to issue Subordinate Obligations secured by the HRTAC Revenues, the payment and security of each which shall be subordinate to all Senior Bonds and Intermediate Lien Obligations and to the Senior Debt Service Fund and Intermediate Debt Service Fund deposits required to be made under the Master Indenture.

Each of the 2021 HRTF TIFIA Loan Agreement, the Successor 2019/2021 TIFIA Loan Agreement, and the 2023 HRTF TIFIA Loan Agreement require that HRTAC satisfy certain conditions with respect to the issuance of permitted indebtedness thereunder. See “TIFIA LOAN AGREEMENTS – Representations, Warranties and Covenants - Permitted Indebtedness” and “THE MASTER INDENTURE – Issuance of Bonds” in Appendix A.

### **Debt Service Reserve**

No debt service reserve fund will be established or maintained for the Series 2024A Bonds, and the Commission has not provided for the establishment or maintenance of any debt service reserve fund for its outstanding Senior Bonds (the Series 2022A Bonds, the 2020A Bonds, or the Series 2018A Bonds).

The 2023A Series Supplement established a debt service reserve requirement in connection with the issuance of additional Intermediate Lien Obligations. Such requirement is an amount equal to the least of (a) ten percent (10%) of the principal amount of Intermediate Lien Obligations then Outstanding that are participating in the Intermediate Lien Debt Service Reserve Fund or in a separately created Intermediate

Lien Debt Service Reserve Fund established in a Series Supplement (provided, however, that if such Intermediate Lien Obligations have original issue discount or premium that exceeds two percent (2%) of the stated redemption price at maturity plus any original issue premium attributable exclusively to underwriters' compensation, the issue price shall be used in lieu of the stated principal amount for purposes of the 10% limitation), (b) the maximum annual Principal and Interest Requirements during the current or any future Fiscal Year on Intermediate Lien Obligations Outstanding plus the Series of Intermediate Lien Obligations to be issued, or (c) one hundred and twenty-five percent (125%) of the average annual Principal and Interest Requirements on all Intermediate Lien Obligations through their final maturity date.

As provided in the Master Indenture, HRTAC may provide that any Intermediate Lien Debt Service Reserve Fund be held collectively or with respect to all or multiple Series of Intermediate Lien Obligations, and determine that a Series of Intermediate Lien Obligations shall not participate in or be secured by an Intermediate Lien Debt Service Reserve Fund. The 2023A Notes are not participating in or secured by an Intermediate Lien Debt Service Reserve Fund.

Each of the 2021 HRTF TIFIA Bond, the 2021 Successor TIFIA Bond, and the 2023 HRTF TIFIA Bond are secured by a pooled Subordinate Debt Service Reserve Fund. See "HRTF TIFIA LOAN AGREEMENTS – TIFIA Debt Service Reserve."

### **Flow of Funds**

The following summary of the Master Indenture's flow of funds provisions does not purport to be comprehensive or definitive and is qualified by reference to the entire Master Indenture, as supplemented by the 2024A Series Supplement and other series supplements. The Master Indenture establishes a Revenue Fund to which HRTAC will deposit all HRTAC Revenues immediately upon receipt. The Revenue Fund is the source of the following monthly transfers that will benefit the holders of the Bonds:

FIRST: To each Senior Debt Service Fund, ratably, the amount, if any, required under the Related Series Supplement so that the balance therein on the next Payment Date shall equal the amount of principal, if any, and interest due on the next Payment Date on the Related Series of Bonds; provided that HRTAC shall receive a credit against such transfer for the amount, if any, held in a Senior Debt Service Fund as capitalized interest or otherwise, together with the investment earnings thereon;

SECOND: To each Senior Debt Service Reserve Fund, ratably, the amount, if any, required so that the balance in each such Fund shall be equal to the respective Senior Debt Service Reserve Requirement;

THIRD: To each Intermediate Lien Debt Service Fund, ratably, the amount, if any, required so that the balance in each such Fund shall equal the amount of principal, if any, and interest due on the Related Intermediate Lien Obligations on the next ensuing payment date; provided that HRTAC shall receive a credit against such transfer for the amount, if any, held in an Intermediate Lien Debt Service Fund as capitalized interest or otherwise, together with the investment earnings thereon;

FOURTH: To each Intermediate Lien Debt Service Reserve Fund, ratably, the amount, if any, required so that the balance in such Fund shall be equal to the respective Intermediate Lien Debt Service Reserve Requirement;

FIFTH: To each Subordinate Debt Service Fund, ratably, the amount, if any, required so that the balance in each such Fund shall equal the amount of principal, if any, and interest due on the Related Subordinate Obligations on the next ensuing payment date; provided that HRTAC shall receive a credit against such transfer for the amount, if any, held in a Subordinate Debt Service Fund as capitalized interest or otherwise, together with the investment earnings thereon;

SIXTH: To each Subordinate Debt Service Reserve Fund, ratably, the amount, if any, so that the balance in such Fund shall be equal to the respective Subordinate Debt Service Reserve Requirement;

SEVENTH: To each Rebate Fund the amounts necessary to provide for the payment of any Rebate Amounts with respect to the Related Series of Bonds as confirmed in an Officer's Certificate;

EIGHTH: To the Operating Account of the Operating Fund, the amount of funds necessary to pay Operating Expenses during such period in accordance with the Annual Budget (as defined in the Master Indenture; see Appendix A);

NINTH: To the Operating Reserve Account of the Operating Fund, the amount, if any, so that the balance in such Account shall be equal to the Operating Reserve Requirement;

TENTH: To fund any Hedging Termination Obligation in connection with a Qualified Hedge; and

ELEVENTH: To the General Fund, the balance remaining in the Revenue Fund.

Pursuant to the 2024A Series Supplement, each monthly transfer into the 2024A Bond Debt Service Fund under the Master Indenture shall be in an amount not less than the sum of (i) one-sixth of the interest due on the Series 2024A Bonds on the next ensuing Interest Payment Date, plus (ii) one-twelfth of the principal due on the Series 2024A Bonds at maturity or upon mandatory redemption on the next ensuing Principal Payment Date, less (iii) accrued interest and any other interest earnings currently on deposit therein. See "THE 2024A SERIES SUPPLEMENT—Bond Debt Service Fund" in Appendix A.

A schematic diagram of the Flow of Funds is presented on page 31.

Application of Amounts in the General Fund. HRTAC shall apply the balance in the General Fund, including interest earnings, as follows: (i) first to cure any deficiency in the amount required to be on deposit in any Senior Debt Service Fund, any Senior Debt Service Reserve Fund, any Intermediate Lien Debt Service Fund, any Intermediate Lien Debt Service Reserve Fund, any Subordinate Debt Service Fund, any Subordinate Debt Service Reserve Fund, any Rebate Fund, or the Operating Reserve Account, in that order; (ii) to provide certain transfers of HRTF Revenues from the General Fund for limited support of the TIFIA Series 2021 Toll Bond; (iii) to pay any credit provider in respect of a bond credit facility or DSRF credit facility any excess interest, fees, fines or other penalties owed as a result of a default on any applicable credit or DSRF facility; (iv) to the payment of expenditures for capital improvements with respect to any project; (v) for deposit into the TIFIA Revenue Sharing Account, the amount, if any, as may be required under the 2024A Series Supplement, each Series Supplement relating to an HRTF TIFIA Bond and the applicable provisions of any Series Supplement in an amount equal to "excess revenues" for such month; and (vi) to the payment of any other lawful purpose approved by resolution of the Commission. See "THE MASTER INDENTURE—Revenue Fund and Flow of Funds" in Appendix A. The Commission generally makes direct, cash-funded payments ("PayGo") for project construction costs from the General Fund. The Commission funded the debt service reserve account established for the 2021 Successor TIFIA Bond, the

2021 HRTF TIFIA Bond, and the 2023 HRTF TIFIA Bond from available amounts in the General Fund, and expects to make the HRTF Transfers as described in the following paragraphs from available amounts in the General Fund. See “HRTF TIFIA LOAN AGREEMENTS – TIFIA Debt Service Reserve.”

*Transfers of HRTF Revenues from the General Fund to Support Toll Revenue Bonds.* As stated above, the Master Indenture provides that HRTAC may use amounts in the General Fund for any lawful purpose approved by resolution of HRTAC, including expenditures for capital improvements. In establishing the tolling component of the financial framework for the Express Lanes Network, the Commission entered into the Master Toll Indenture and a First Supplemental Indenture of Trust, dated as of September 1, 2021 (the “First Supplemental Toll Indenture” and together with the Master Toll Indenture, the “Toll Indenture”). The Master Toll Indenture provides for the collection, custody, application and use of toll revenues of the Express Lanes Network (the “Express Lanes Toll Revenues”) to finance the Express Lanes Network and facilities related thereto, including a portion of the HRBT Expansion Project. The Commission has entered into the 2021 Toll TIFIA Loan Agreement with the TIFIA Lender, pursuant to which the TIFIA Lender has agreed to extend a loan secured under the Master Toll Indenture to the Commission to finance a portion of the costs of the HRBT Expansion Project, comprising Segment 3 of the Express Lanes Network. To evidence the obligation of the Commission to repay the loan under the 2021 Toll TIFIA Loan Agreement, the Commission issued the TIFIA Series 2021 Toll Bond under the Master Toll Indenture in an initial principal amount of up to \$345,000,000.

The Series Supplement relating to the 2021 HRTF TIFIA Bond provides that the Commission will make certain transfers of HRTF Revenues from the General Fund for limited support of the TIFIA Series 2021 Toll Bond. These include the following (together, the “HRTF Transfers”):

- An amount equal to the TIFIA Loan Reserve Account Reserve Requirement (approximately \$19.2 million based on current estimates) for transfer and deposit to the debt service reserve account established under the First Supplemental Toll Indenture, to occur by no later than the 2021 TIFIA Toll Debt Service Payment Commencement Date, which is the earlier of (a) the date that is the earlier of (i) two (2) years and six (6) months after the substantial completion date of the HRBT Expansion Project and (ii) seven (7) years and six (6) months after the issuance date of the TIFIA Series 2021 Toll Bond, or (b) if the applicable date described in clause (a) does not fall on a semi-annual payment date, then the semi-annual payment date immediately preceding such date.
- \$10,000,000, as the initial deposit to a revenue stabilization fund, which fund is to provide replenishments to the debt service fund and the debt service reserve fund for the TIFIA Series 2021 Toll Bond, such initial deposit to occur at the TIFIA Toll Debt Service Commencement Date; and commencing thereafter, and continuing in each year through the maturity of the TIFIA Series 2021 Toll Bond, to the extent that amounts on deposit in such fund are less than \$10,000,000, an amount sufficient to restore the balance therein to \$10,000,000, subject to an annual transfer cap of \$10,000,000 during any Fiscal Year.
- For deposit to the major maintenance and renewal fund established under the Master Toll Indenture, the amount of \$5,000,000, to occur no later than the later of the (i) substantial completion date of the HRBT Expansion Project, or (ii) the date on which the Commission makes the first draw under the TIFIA Series 2021 Toll Bond; and commencing thereafter, and continuing in each year through the maturity of the TIFIA Series 2021 Toll Bond, to the extent that amounts on deposit in such fund are less than the amount required to be maintained in the major maintenance and renewal fund, based on the life cycle costs of the Express Lanes Network, an amount sufficient to restore the amount on deposit in the

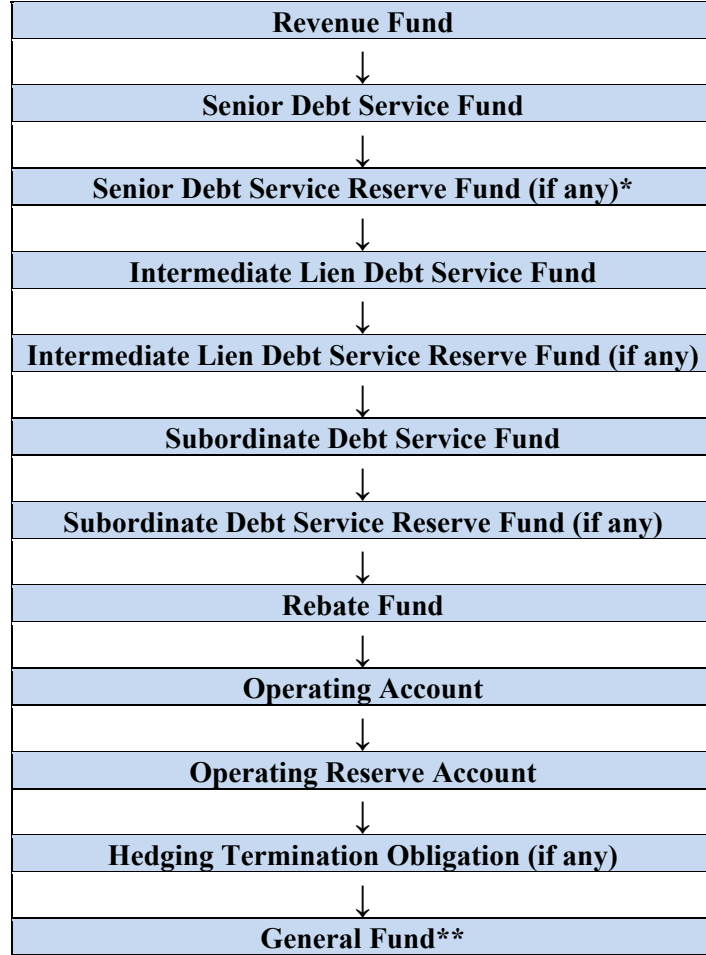
such fund to the required amount, provided, however, that the aggregate amount of all HRTF Transfers made while the TIFIA Series 2021 Toll Bond is outstanding for deposit to such major maintenance and renewal fund shall not exceed a cumulative cap equal to the total of expected major maintenance and renewal fund expenditures to the final maturity of any toll obligations issued under the Master Toll Indenture.

The Master Toll Indenture specifies that HRTF Transfers may only be used to pay for costs legally permitted for the use of HRTF funds. The Commission agrees to manage the use of HRTF Revenues in the General Fund so as to provide for the availability of sufficient amounts in the General Fund to make the foregoing HRTF Transfers as and when required, subject to the availability of HRTF Revenues and to its commitments to provide funding for the HRBT Expansion Project.

*[Remainder of page intentionally left blank;  
schematic diagram of Flow of Funds follows on next page]*



## FLOW OF FUNDS DIAGRAM



\* No Debt Service Reserve Fund will be established or maintained for the Series 2024A Bonds.

\*\* See “SECURITY AND SOURCES OF PAYMENT OF THE SERIES 2024A BONDS – Flow of Funds -- Application of Amounts in the General Fund and Transfers of HRTF Revenues from the General Fund to Support Toll Revenue Bonds” herein for a description of the use of funds in the General Fund.

## TIFIA LOAN AGREEMENTS

On September 21, 2021, USDOT and HRTAC entered into the Successor 2019/2021 TIFIA Loan Agreement, relating to the 2021 Successor TIFIA Loan. To evidence its obligations under the Successor 2019/2021 TIFIA Loan Agreement upon the closing thereof, HRTAC issued the 2021 Successor TIFIA Bond pursuant to the Master Indenture and the Seventh Supplemental Series Indenture of Trust dated

September 21, 2021. As of the date hereof, the full principal amount thereunder (\$500,789,463), excluding capitalized interest, has been advanced.

On September 21, 2021, USDOT and HRTAC entered into the 2021 HRTF TIFIA Loan Agreement, relating to the 2021 HRTF TIFIA Loan. To evidence its obligations under the 2021 HRTF TIFIA Loan Agreement upon the closing thereof, HRTAC issued the 2021 HRTF TIFIA Bond pursuant to the Master Indenture and the Fifth Supplemental Series Indenture of Trust dated September 21, 2021. On March 27, 2023, in accordance with the provisions of the Master Indenture and a defeasance escrow agreement, the Commission fully drew the 2021 HRTF TIFIA Bond in the amount of \$817,990,000, excluding capitalized interest, and utilized such proceeds along with certain funds held by the Trustee to defease the \$817,990,000 Senior Lien Bond Anticipation Notes, Series 2021A (the “Series 2021A Notes”).

On November 14, 2023, USDOT and HRTAC entered into the 2023 HRTF TIFIA Loan Agreement, relating to the 2023 HRTF TIFIA Loan. To evidence its obligations under the 2021 HRTF TIFIA Loan Agreement upon the closing thereof, HRTAC issued the 2023 HRTF TIFIA Bond pursuant to the Master Indenture and the Ninth Supplemental Series Indenture of Trust dated November 1, 2023. HRTAC expects to make a single requisition under the 2023 HRTF TIFIA Loan on or before July 1, 2027, within one year after substantial completion of HRELN Segment 4C financed thereunder, and apply the amount requisitioned under the 2023 HRTF TIFIA Loan Agreement to reimburse itself for eligible project costs, including for HRELN Segment 4C. Such reimbursement will include an amount to pay principal on the Series 2023A Notes at their maturity. The proceeds of the 2023 HRTF TIFIA Loan may be disbursed to HRTAC for the payment, reimbursement or refinancing of certain costs of the projects that are eligible to be financed with proceeds of the 2023 HRTF TIFIA Loan pursuant to federal law, provided that total disbursements under the 2023 HRTF TIFIA Loan cannot exceed 33% of all such reasonably anticipated eligible project costs at the 2023 HRTF TIFIA Loan’s closing, which include the reasonably anticipated costs of the HRELN Segment 4C, the funding of capitalized interest on the Series 2023A Notes through July 1, 2025, and the costs of issuance of the Series 2023A Notes.

The Successor 2019/2021 TIFIA Loan Agreement, the 2021 HRTF TIFIA Loan Agreement, and the 2023 HRTF TIFIA Loan Agreement, along with the 2021 Toll TIFIA Loan Agreement, have been filed with the MSRB through its EMMA system and may be accessed over the internet at <https://www.emma.msrb.org>. The Successor 2019/2021 TIFIA Loan, the 2021 HRTF TIFIA Loan Agreement, and the 2023 HRTF TIFIA Loan Agreement, were implemented under the provision of the TIFIA statute that allows for a waiver of TIFIA’s non-subordination or “springing lien” requirement.

Certain provisions of the TIFIA Loan Agreements relating to conditions precedent to requisitioning moneys and events of default are summarized below, with such summaries applying respectively under each TIFIA Loan Agreement unless otherwise noted.

### **Disbursement Conditions**

Both of the 2021 Successor TIFIA Bond and 2021 HRTF TIFIA Bond are fully drawn, while the 2023 HRTF TIFIA Loan is currently undrawn. Disbursements under the TIFIA Loans are subject to numerous conditions precedent. In addition to the delivery of customary certificates as to representations and warranties, no defaults and other corporate matters, the following conditions, among others, also apply to the TIFIA Lender’s obligation to fund a requisition request:

- delivery to the TIFIA Lender of updated Financial Plans and, to the extent not previously delivered, copies of the applicable project contracts and amendments and modifications, if any, thereto;

- all governmental approvals necessary as of the time of the applicable disbursement for the development, construction, operation and maintenance of the Initial Financed Projects (for the 2021 Successor TIFIA Loan), the HRBT Expansion Project (for the 2021 HRTF TIFIA Loan), or HRELN Segment 4C (for the 2023 HRTF TIFIA Loan) are in full force and effect;
- all applicable insurance policies shall be in full force and effect and all permits and governmental approvals necessary to complete construction of the Initial Financed Projects (for the 2021 Successor TIFIA Loan), the HRBT Expansion Project (for the 2021 HRTF TIFIA Loan), or HRELN Segment 4C (for the 2023 HRTF TIFIA Loan) shall have been obtained;
- no event of default under the TIFIA Loan Agreements, the Master Indenture or other material contracts, or event which with the giving of notice or the passage of time or both under such documents would result in an event of default shall have occurred and be continuing; and
- since the date HRTAC submitted the application for the TIFIA Loans to the TIFIA Lender there shall not have occurred a Material Adverse Effect (as defined in the TIFIA Loan Agreements).

The TIFIA Lender shall be entitled to withhold approval of the disbursement of TIFIA Loans' proceeds if:

- an event of default or an event that, with the giving of notice of the passage of time or both, would constitute an event of default, under the TIFIA Loan Agreements shall have occurred and be continuing; or
- HRTAC:
  - knowingly takes any action, or omits to take any action, amounting to fraud or violation of any applicable federal or local criminal law, in connection with the transactions contemplated by the TIFIA Loan Agreements; or
  - fails to ensure VDOT's construction of the Initial Financed Projects (for the 2021 Successor TIFIA Loan), the HRBT Expansion Project (for the 2021 HRTF TIFIA Loan), or HRELN Segment 4C (for the 2023 HRTF TIFIA Loan) in a manner consistent with the governmental and other approvals therefor or in accordance with the highest standards of VDOT's industry, where such failure prevents or materially impairs the project from fulfilling its intended purpose, or prevents or materially impairs the ability of the TIFIA Lender to monitor compliance by VDOT with applicable federal or local law pertaining to the Initial Financed Projects (for the 2021 Successor TIFIA Loan), the HRBT Expansion Project (for the 2021 HRTF TIFIA Loan), or HRELN Segment 4C (for the 2023 HRTF TIFIA Loan), or with the terms and conditions of the TIFIA Loan Agreements; or
  - fails to observe or comply with any applicable federal or local law, or any term or condition of the TIFIA Loan Agreements; or
  - fails to satisfy disbursement conditions or conditions precedent to all disbursements set out in the TIFIA Loan Agreements; or
  - fails to deliver documentation satisfactory to the TIFIA Lender evidencing eligible project costs claimed for disbursement at the times and in the manner specified by the TIFIA Loan

Agreements; provided, that in such case the TIFIA Lender may, in its sole discretion, partially approve a disbursement request in respect of any amounts for which adequate documentation evidencing eligible project costs has been provided and may, in its sole discretion, disburse in respect of such properly documented amounts.

See additional discussion of the conditions to closing and delivery of, as well as disbursements under, the TIFIA Loans below under “INVESTMENT CONSIDERATIONS—No Assurance of Funds under TIFIA Loan Agreements.”

## **Repayment Terms**

No payment of the principal of or interest on the TIFIA Loans is required to be made during the capitalized interest period, which will be the period from the drawdown of the TIFIA Loans to the date that HRTAC commences repayment of the TIFIA Loans as described below (“TIFIA Capitalized Interest Period”). As of each June 30 and December 31 during the TIFIA Capitalized Interest Period and on the last day of the TIFIA Capitalized Interest Period, interest accrued in the six-month period ending on the subject date (or such lesser period in connection with the end of the TIFIA Capitalized Interest Period) on the TIFIA Loans shall be capitalized and added to the outstanding respective TIFIA Loan balance. Within 30 days after the end of the TIFIA Capitalized Interest Period, the TIFIA Lender shall give written notice to HRTAC stating the outstanding TIFIA Loan balance as of the close of business on the last day of the TIFIA Capitalized Interest Period, which statement thereof shall be deemed conclusive absent manifest error; provided, however, that no failure to give or delay in giving such notice shall affect any of the obligations of the Commission under the TIFIA Loan Agreements or under any of the other TIFIA Loan documents.

Under the Successor 2019/2021 TIFIA Loan Agreement, on the earlier of (a) January 1, 2025, and (b) the ninth semi-annual payment date immediately succeeding the substantial completion date of the Initial Financed Projects, HRTAC shall commence paying TIFIA Debt Service in the amount of interest on and principal of the 2021 Successor TIFIA Loan equal to the amount set forth in the Successor 2019/2021 TIFIA Loan Agreement, as the same may be revised as provided in the Successor 2019/2021 TIFIA Loan Agreement, which payments shall be made in accordance with the terms of the Successor 2019/2021 TIFIA Loan Agreement.

Under the 2021 HRTF TIFIA Loan Agreement, on the earlier of (a) January 1, 2027, and (b) the first semi-annual payment date immediately succeeding the substantial completion date of the HRBT Expansion Project financed with 2021 HRTF TIFIA Loan proceeds, HRTAC shall commence paying TIFIA Debt Service in the amount of interest on and principal of the 2021 HRTF TIFIA Loan equal to the amount set forth in the 2021 HRTF TIFIA Loan Agreement, as the same may be revised as provided in the 2021 HRTF TIFIA Loan Agreement, which payments shall be made in accordance with the terms of the 2021 HRTF TIFIA Loan Agreement.

Under the 2023 HRTF TIFIA Loan Agreement, on the earlier of (a) January 1, 2028, and (b) the first semi-annual payment date immediately succeeding the substantial completion date of the HRELN Segment 4C project financed with 2023 HRTF TIFIA Loan proceeds, HRTAC shall commence paying TIFIA Debt Service in the amount of interest on and principal of the 2021 HRTF TIFIA Loan equal to the amount set forth in the 2023 HRTF TIFIA Loan Agreement, as the same may be revised as provided in the 2023 HRTF TIFIA Loan Agreement, which payments shall be made in accordance with the terms of the 2023 HRTF TIFIA Loan Agreement.

A projected amortization of the TIFIA Bonds is set forth under Table VIII – Projected HRTF Bonds’ Debt Service and Debt Service Coverage Ratio in “PROJECTED OPERATING RESULTS AND DEBT SERVICE COVERAGE RATIO.”

### **Prepayment of the TIFIA Loans**

HRTAC will be required to mandatorily prepay all or a portion of the TIFIA Loans without penalty or premium following the occurrence of a Revenue Sharing Trigger Event (defined below), on each semi-annual payment date under the TIFIA Loan Agreements occurring while the Revenue Sharing Trigger Event remains in effect, from “Excess Revenues” (as described below) on deposit in the Revenue Sharing Account. See “SECURITY FOR AND SOURCES OF PAYMENT OF THE SERIES 2024A BONDS – Flow of Funds” above. Prepayment of the TIFIA Loans will be made, on a pro rata basis with any other TIFIA Loans secured by HRTAC Revenues then outstanding, in each case, based on the then outstanding amount of such TIFIA Loans.

A “Revenue Sharing Trigger Event” is any date on which the TIFIA Loan Agreements are outstanding and (a) HRTAC or VDOT, on behalf of HRTAC, is not actively engaged in the development of capital project programs in the Hampton Roads Transportation Planning Organization’s most recently adopted long-range transportation plan, and (b) for so long as the 2021 TIFIA Toll Obligation remains Outstanding, the unencumbered amount on deposit in the General Fund (after taking into account any HRTF Transfers required to be made as of such date or within the next twelve (12 months)) is greater than \$50,000,000 after making the deposits or transfers as described in paragraphs FIRST through TENTH under “SECURITY FOR AND SOURCES OF PAYMENT OF THE SERIES 2024A BONDS – Flow of Funds” herein and clauses (i) through (iv) under “SECURITY FOR AND SOURCES OF PAYMENT OF THE SERIES 2024A BONDS – Flow of Funds – Application of Amounts in the General Fund” herein (in that order). See “INVESTMENT CONSIDERATIONS – Risks of Non-Appropriation and Future Legislative or Administrative Actions Affecting Revenues – TIFIA Revenue Sharing Trigger Event.” Under the Indenture and its flow of funds provisions, “Excess Revenues” are, following the occurrence of a Revenue Sharing Trigger Event and until such time as the Revenue Sharing Trigger Event ends, an amount in each month equal to 50% of the HRTAC Revenues remaining each month after the transfers described in paragraphs FIRST through TENTH under “SECURITY FOR AND SOURCES OF PAYMENT OF THE SERIES 2024A BONDS – Flow of Funds” herein and clauses (i) through (iv) under “SECURITY FOR AND SOURCES OF PAYMENT OF THE SERIES 2024A BONDS – Flow of Funds – Application of Amounts in the General Fund” herein (in that order) have occurred. See “SECURITY FOR AND SOURCES OF PAYMENT OF THE SERIES 2024A BONDS – Flow of Funds – Application of Amounts in the General Fund” above.

Upon any voluntary prepayment of any Bonds, other than any voluntary prepayment of any such Bonds made with the proceeds of Additional Bonds issued on the same lien level, in accordance with the requirements of the TIFIA Loan Agreements, the applicable TIFIA Bond shall be repaid pro rata with such voluntary prepayment of such other Bonds.

In addition, HRTAC will have the right to prepay the TIFIA Loans in whole or in part (and, if in part, the amounts thereof to be prepaid will be determined by HRTAC; provided, however, that such prepayments have to be in a minimum principal amount of \$1,000,000), at any time or from time-to-time, without penalty or premium, by paying to the TIFIA Lender such principal amount of the TIFIA Loans to be prepaid, together with the unpaid interest accrued on the amount of principal so prepaid to the date of such prepayment. Each prepayment of the TIFIA Loans has to be made on such date and in such principal amount as HRTAC specifies in a written notice delivered to the TIFIA Lender. In the case

of any prepayment, such written notice has to be delivered to the TIFIA Lender not less than 10 days or more than 30 days prior to the date set for prepayment.

If such notice has been given, the principal amount of the TIFIA Loans stated in such notice or the whole thereof, as the case may be, is due and payable on the prepayment date stated in such notice, together with interest accrued and unpaid to the prepayment date on the principal amount then being prepaid.

### **TIFIA Debt Service Reserve**

Each of the 2021 HRTF TIFIA Bond, the 2021 Successor TIFIA Bond, and the 2023 HRTF TIFIA Bond are secured by a pooled Subordinate Debt Service Reserve Fund. On or prior to the later of the substantial completion date of the projects financed by the 2021 Successor TIFIA Bond or the date of the final disbursement under the Successor 2019/2021 TIFIA Loan Agreement, HRTAC was required to cause the deposit of available HRTAC Revenues or HRTF Transfers in such Subordinate Debt Service Reserve Fund in an amount sufficient to cause the balance therein to equal the combined “TIFIA Subordinate Debt Service Reserve Required Balance.” Such amount is the lesser of (x) ten percent (10%) of the maximum stated principal of the 2021 HRTF TIFIA Loan, the 2021 Successor TIFIA Loan, and the 2023 HRTF TIFIA Loan, (y) one hundred percent (100%) of the combined TIFIA maximum annual debt service, or (z) one hundred and twenty-five percent (125%) of the average annual combined TIFIA debt service. If there are TIFIA loans in addition to the 2021 HRTF TIFIA Loan, the 2021 Successor TIFIA Loan and the 2023 HRTF TIFIA Loan that are secured by HRTAC Revenues on a Subordinate Lien basis outstanding at any time, then such amounts will be calculated using the summation of all TIFIA Loans as if there were one TIFIA Loan.

The substantial completion date of the projects financed by the 2021 Successor TIFIA Bond occurred in August, 2024. As the final disbursement of the 2021 Successor TIFIA Bond took place prior to this substantial completion date, HRTAC caused the deposit of the TIFIA Subordinate Debt Service Reserve Required Balance (\$29,176,185) into the Subordinate Debt Service Reserve Fund on August 5, 2024.

### **Representations, Warranties and Covenants**

Pursuant to the terms of the TIFIA Loan Agreements, HRTAC makes certain customary representations, warranties and covenants as of (i) the date of execution and delivery of the TIFIA Loan Agreements, and (ii) each date on which a disbursement of the TIFIA Loans are requested or made, including, but not limited to:

*Compliance with Laws.* Pursuant to the TIFIA Loan Agreements, HRTAC represents and warrants that the execution and delivery by HRTAC of the TIFIA Loan Agreements and other related documents to which HRTAC is a party, and compliance with the terms thereof will not, in any material respect, conflict with or constitute a violation or breach of or default of any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, loan agreement, lease, contract or other agreement or instrument. VDOT has oversight responsibility for ensuring compliance with all applicable provisions of federal transportation law for project oversight activities.

*Permitted Indebtedness.* Under the TIFIA Loan Agreements, HRTAC may issue certain permitted debt and additional obligations (“Additional Obligations”), as follows, provided, however, that no event of default under the Indenture or the TIFIA Loan Agreements has occurred and is continuing.

See “SECURITY FOR AND SOURCES OF PAYMENT OF THE SERIES 2024A BONDS – Additional Bonds” and “THE MASTER INDENTURE—Issuance of Bonds—Intermediate Lien Obligations” and “—Subordinate Obligations” in Appendix A:

(1) if the proceeds of the Additional Obligations will be used to refinance Senior Bonds, Intermediate Lien Obligations, or Subordinate Obligations and are issued on the same lien level as the proposed refunded obligations, (i) such Additional Obligations must receive a rating from a nationally recognized rating agency of equivalent to the lesser of the rating on the obligations being refinanced with the proceeds of the Additional Obligations as of the applicable effective date or the most recent rating of such obligations provided under the TIFIA Loan Agreements, (ii) the net proceeds thereof (after deducting any amounts required to be deposited to satisfy the respective debt service reserve requirement or required to pay costs of issuance) must not exceed the principal amount of the respective obligations outstanding and being refinanced, (iii) the respective lien level debt service, after the incurrence of such Additional Obligations, in each year of the remaining term of the TIFIA Loans, must be projected to be less than the respective lien level debt service projected for each such year in the TIFIA Loan Agreements’ base case projections, and (iv) the stated maturity of such Additional Obligations shall not exceed the stated maturity for the obligations being refinanced with the proceeds of the Additional Obligations; and

(2) if the proceeds thereof will be used for any reason not described in the foregoing clause (1) above, the issuance of the Additional Obligations shall not result in a downgrade of any Subordinate Lien Obligations issued to the TIFIA Lender and HRTAC shall provide the TIFIA Lender a certificate in a form reasonably acceptable to the TIFIA Lender (including the calculations supporting such certificate), certifying that (i) the activity or project to which such Additional Obligation proceeds will be applied could not reasonably be expected to result in a material adverse effect under the TIFIA Loan Agreements; (ii) HRTAC has satisfied the requirements for issuing the Additional Obligations in accordance with the applicable provisions of the Indenture or Series Supplement existing as of the applicable effective date, including, specifically, that during any twelve consecutive months of the eighteen months preceding the issuance of the Additional Obligations, (A) the HRTAC Revenues were not less than (1) 2.00 times the maximum annual Principal and Interest Requirements during the current or any future Fiscal Year on the Senior Bonds then outstanding plus, if such Additional Obligations are Senior Bonds, such Additional Obligations, and (2) 1.50 times the maximum annual Principal and Interest Requirements during the current or any future Fiscal Year on the Senior Bonds and Intermediate Lien Obligations then outstanding plus, if such Additional Obligations are Intermediate Lien Obligations, such Additional Obligations, and (B) the total debt service coverage ratio, including debt service for the Additional Obligations to be issued, for each calculation period under the TIFIA Loan Agreements is projected to be not less than 1.35 to 1.00 while any Subordinate Obligations issued to the TIFIA Lender remain outstanding.

*Additional Covenants.* The following briefly summarizes additional covenants of HRTAC (which covenants may be qualified by materiality and other exceptions).

- (1) Maintenance by HRTAC of legal structure;
- (2) No indebtedness, other than Permitted Indebtedness;
- (3) Securing and maintaining the liens on HRTAC Revenues;
- (4) No swap or hedging transactions other than as expressly permitted;

- (5) Ensure that VDOT has complied under all principal project contracts or the Standard Project Agreements, as applicable, with respect to the Initial Financed Projects (for the 2021 Successor TIFIA Loan), the HRBT Expansion Project (for the 2021 HRTF TIFIA Loan) and the HRELN Segment 4C project (for the 2023 HRTF TIFIA Loan); and
- (6) Ensure maintenance by VDOT of all required insurance.

### **Events of Default Under the TIFIA Loan Agreements**

The following events constitute events of default under the TIFIA Loan Agreements:

- (1) Failure to pay any of the principal amount of or interest due and payable on the TIFIA Loans or to make any required mandatory prepayment thereunder;
- (2) A failure by HRTAC (or with respect to the 2023 HRTF TIFIA Loan Agreement, VDOT) to observe or perform any covenant, agreement or obligation of HRTAC (or with respect to the 2023 HRTF TIFIA Loan Agreement, VDOT), under the TIFIA Loan Agreements or any other TIFIA Loan Document (other than in the case of any payment default or any development default), and such failure shall not be cured within 30 days after HRTAC's (or with respect to the 2023 HRTF TIFIA Loan Agreement, VDOT's) knowledge thereof or receipt by HRTAC from the TIFIA Lender of written notice thereof provided, however, that if such failure is capable of cure but cannot reasonably be cured within such 30-day period, then no event of default shall be deemed to have occurred or be continuing under this provision if and so long as within such 30-day period HRTAC (or with respect to the 2023 HRTF TIFIA Loan Agreement, VDOT) shall commence actions reasonably designed to cure such failure and shall diligently pursue such actions until such failure is cured, provided such failure is cured within 180 days of the first occurrence of such failure;
- (3) A development default shall occur, which means VDOT fails to diligently prosecute the work related to the applicable project, or (b) VDOT fails to complete the applicable project by a certain date, unless otherwise agreed by the TIFIA Lender in writing;
- (4) Any of the representations, warranties or certifications of HRTAC (or with respect to the 2023 HRTF TIFIA Loan Agreement, VDOT) made in or delivered pursuant to the TIFIA Loan Agreements and the TIFIA Bonds (or in any certificates delivered by HRTAC in connection with such documents) shall prove to have been false or misleading in any material respect when made, subject to certain conditions;
- (5) Any acceleration shall occur of the maturity of any Senior Bonds, Intermediate Lien Obligations, or Subordinate Obligations, or any such Senior Bonds, Intermediate Lien Obligations, or Subordinate Obligations shall not be paid in full upon the final maturity thereof;
- (6) One or more judgments (A) for the payment of money in an aggregate amount in excess of \$5,000,000 (inflated annually by CPI) that are payable from HRTAC Revenues and are not or have not been otherwise fully covered by insurance (for which the insurer has acknowledged and not disputed coverage), or (B) that would reasonably be expected to result in a Material Adverse Effect shall, in either case, be rendered against HRTAC, and the same shall remain undischarged for a period of thirty (30) consecutive days during which time period execution shall not be effectively stayed, or any action shall be legally



taken by a judgment creditor to attach or levy upon any assets of HRTAC to enforce any such judgment;

- (7) HRTAC shall fail to maintain its existence as a body politic and a political subdivision created and existing under the laws of the Commonwealth or the HRTAC Act shall be repealed or amended in a manner that could reasonably be expected to result in failure of HRTAC to maintain its existence, unless at or prior to the time HRTAC ceases to exist in such form or the repeal or amendment of the HRTAC Act becomes effective a successor public agency or governing body has been created by the Commonwealth pursuant to a valid and unchallenged Commonwealth law and has succeeded to the assets of HRTAC and has assumed all of the obligations of HRTAC under the TIFIA Loan Documents, the Indenture or the Toll Indenture, including the payment of all Secured Obligations;
- (8) A Bankruptcy Related Event, as defined in the TIFIA Loan Agreements, shall occur with respect to HRTAC, VDOT, or certain principal project parties;
- (9) HRTAC or VDOT shall abandon the Initial Financed Projects (for the 2021 Successor TIFIA Loan), the HRBT Expansion Project (for the 2021 HRTF TIFIA Loan), or the HRELN Segment 4C project (for the 2023 HRTF TIFIA Loan);
- (10) (A) Any TIFIA Loan Document ceases to be in full force and effect (other than as a result of the termination thereof in accordance with its terms) or becomes void, voidable, illegal or unenforceable, or HRTAC contests in any manner the validity or enforceability of any TIFIA Loan Document to which it is a party or denies it has any further liability under any TIFIA Loan Document to which it is a party, or purports to revoke, terminate or rescind any TIFIA Loan Document to which it is a party; or (B) any Indenture Document ceases (other than as expressly permitted thereunder) to be effective to grant a valid and binding security interest on any material portion of the Trust Estate other than as a result of actions or a failure to act by, and within the control of, the Trustee or any Secured Party, and with the priority purported to be created thereby;
- (11) Operation of a material portion of the applicable project shall cease for a continuous period of not less than one hundred eighty (180) days, subject to certain exceptions; and
- (12) Failure to increase the amount required in the major maintenance and renewal fund as estimated by a consulting engineer.

## **Remedies**

Upon the occurrence of a development default under the TIFIA Loan Agreements, all obligations of the TIFIA Lender thereunder with respect to the disbursement of any undisbursed amounts of the TIFIA Loans may immediately be deemed suspended, subject to cure by HRTAC.

Upon the occurrence of any bankruptcy related event of default with respect to HRTAC, all obligations of the TIFIA Lender thereunder with respect to the disbursement of any undisbursed amounts of the TIFIA Loans shall automatically be deemed terminated, and, to the extent permitted under the Indenture, the outstanding TIFIA Loans' balances, together with all interest accrued thereon and all fees, costs, expenses, indemnities and other amounts payable under the TIFIA Bonds or the other TIFIA Loan documents, shall automatically become immediately due and payable.

Upon the occurrence of any other event of default under the TIFIA Loan Agreements, the TIFIA Lender, by written notice to HRTAC, may (A) suspend or terminate all of its obligations thereunder with respect to the disbursement of any undisbursed amounts of the TIFIA Loans, and (B) to the extent permitted under the Indenture, declare the unpaid principal amount of the TIFIA Bonds to be, and the same shall thereupon forthwith become, immediately due and payable, together with the interest accrued thereon and all fees, costs, expenses, indemnities and other amounts payable under the TIFIA Loan Agreements, the TIFIA Bonds or the other TIFIA Loan documents.

Whenever any Event of Default thereunder shall have occurred and be continuing, the TIFIA Lender shall be entitled and empowered to institute any actions or proceedings at law or in equity for the collection of any sums due and unpaid thereunder or under the TIFIA Bonds or the other TIFIA Loan documents, and may prosecute any such judgment or final decree against HRTAC and collect in the manner provided by law out of the trust estate the moneys adjudged or decreed to be payable, and the TIFIA Lender shall have all of the rights and remedies of a creditor, including all rights and remedies of a secured creditor under the Uniform Commercial Code, and may take such other actions at law or in equity as may appear necessary or desirable to collect all amounts payable by HRTAC under the TIFIA Loan Agreements, the TIFIA Bonds or the other TIFIA Loan documents then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of HRTAC under the TIFIA Loan Agreements, the TIFIA Bonds or the other TIFIA Loan documents.

Whenever any Event of Default under the TIFIA Loan Agreements shall have occurred and be continuing, the TIFIA Lender may suspend or debar HRTAC from further participation in any federal government program administered by the TIFIA Lender and to notify other departments and agencies of such default.

No action taken pursuant to the TIFIA Loan Agreements shall relieve HRTAC from its obligations pursuant to the TIFIA Loan Agreements, the TIFIA Bonds or the other TIFIA Loan documents, all of which shall survive any such action.

## **HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION**

The Commission was created by the Virginia General Assembly in 2014 to be a body politic and a political subdivision of the Commonwealth with responsibility for approving the funding of projects to be financed with the HRTF Revenues. Such revenues are derived from the additional taxes levied pursuant to Chapter 766 within Planning District 23. The Member Localities comprising Planning District 23 currently include 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 Commission is a separate legal entity from these Member Localities within Planning District 23. Cities and counties in the Commonwealth are independent entities; therefore, the Member Localities do not overlap. Pursuant to Chapter 545, the Commission must use the HRTF Revenues for purposes of (i) funding new construction projects on new or existing highways, bridges, and tunnels in the Member Localities, giving priority to projects expected to provide the greatest impact on reducing congestion for the greatest number of citizens residing within the Member Localities, and (ii) paying the Commission's administrative and operating expenses as provided in its annual budget (which under the HRTAC Act shall be limited solely to administrative expenses of the Commission and shall not include any funds for construction or acquisition of transportation facilities or the performance of any transportation service). See "HAMPTON ROADS TRANSPORTATION FUND—General" herein, and "Table 5: HRTAC Operating Budget" in [Appendix E](#). HRTAC collaborates with HRTPO to set transportation funding priorities on the basis of a regional consensus developed by HRTPO, but HRTAC serves primarily

as a financing vehicle for regional transportation projects rather than as a planning board. To date, all of HRTAC's projects have been part of VDOT's statewide transportation system and HRTAC has entered into Standard Project Agreements and the PAFA with VDOT whereby HRTAC provides funds to such projects. See "DEVELOPMENT OF CAPITAL EXPENDITURE AND FUNDING PLANS."

## **Hampton Roads Region**

With the exception of Southampton County and the City of Franklin, all of the Member Localities are located in the Hampton Roads MSA. For a description of certain demographic, economic and financial information regarding Planning District 23 and Hampton Roads, see [Appendix D](#).

## **Commission Members**

Pursuant to the HRTAC Act, HRTAC has 23 members as follows: the chief elected official of the ten (10) cities embraced by the Commission, which in each such city is a mayor; a current elected official of each of the four (4) counties embraced by the Commission, provided that such official (a) serves on the governing body of the county and (b) has been appointed by resolution of such governing body to serve as the county's member on the Commission; three (3) members of the House of Delegates who reside in different counties or cities embraced by the Commission and who are appointed by the Speaker of the House; and two (2) members of the Senate who reside in different counties or cities embraced by the Commission, who are appointed by the Senate Committee on Rules. In addition, the Director of the Virginia Department of Rail and Public Transportation ("VDRPT"), or his/her designee; the Commissioner of Highways, or his/her designee; the Executive Director of the Virginia Port Authority, or his/her designee; and a member of the Commonwealth Transportation Board who resides in a locality embraced by the Commission and who is appointed by the Governor, serve as non-voting members of HRTAC.

The current membership of HRTAC is listed below, together with the related Member Locality or appointing official or body:

<b><u>Voting Members</u></b>	<b><u>Title</u></b>	<b><u>Source of Appointment</u></b>
Richard W. West	HRTAC Chair	City of Chesapeake
Douglas G. Pons	HRTAC Vice Chair	City of Williamsburg
Kenneth C. Alexander	Member	City of Norfolk
Bonita Anthony	Member	Virginia House of Delegates
Christopher D. Cornwell, Sr.	Member	Southampton County
Robert "Bobby" Cutchins	Member	City of Franklin
Michael D. Duman	Member	City of Suffolk
Robert M. Dyer	Member	City of Virginia Beach
Jackie H. Glass	Member	Virginia House of Delegates
Shannon E. Glover	Member	City of Portsmouth
Gordon C. Helsel	Member	City of Poquoson
Michael J. Hipple	Member	James City County

Phillip Jones	Member	City of Newport News
Mamie Locke	Member	Virginia Senate
L. Louise Lucas	Member	Virginia Senate
William M. McCarty	Member	Isle of Wight County
Thomas G. Shepperd	Member	York County
Anne Ferrell Tata	Member	Virginia House of Delegates
Donnie R. Tuck	Member	City of Hampton
<b><u>Non-Voting Members:</u></b>		
	<b><u>Title</u></b>	<b><u>Source of Appointment</u></b>
Frederick T. Stant III	Non-Voting Member	Commonwealth Transportation Board
Zach Trogon	Non-Voting Member	Acting Director of VDRPT
Stephen Brich	Non-Voting Member	Virginia Department of Transportation
Stephen A. Edwards	Non-Voting Member	Executive Director, Virginia Port Authority

### **HRTAC Executive Director**

**Kevin B. Page** serves as the Executive Director of HRTAC. He has served the Commission in this role for 9 years. Mr. Page is responsible for management of the day-to-day administrative affairs of the Commission, which relate principally to the support of more than \$11.55 billion in mega highway transportation projects and \$1.0 billion in transit projects that are planned for Hampton Roads. Mr. Page is also responsible for coordinating the management and investment of the HRTF funds received by HRTAC. Mr. Page has over 35 years of multimodal leadership experience within the transportation industry and has served in executive roles on major infrastructure funding and construction initiatives and in forging strategic partnerships, including serving on various transportation boards and safety committees. Before joining HRTAC, he spent over 10 years in executive leadership roles over transit and rail funding and program delivery with the Virginia Department of Rail and Public Transportation, 7 years as the Transit Manager of Petersburg, Virginia's separate transit and school bus enterprise operations, and 2 years with the Greater Richmond Transit Company in Richmond, Virginia. He has led the planning, development and implementation of a wide variety of projects including large scale public-private and multistate partnerships, the safety oversight of transportation systems, corridor long environmental studies, short and long-range planning and financing, and was instrumental in the development and delivery of regional Amtrak passenger train service and the expansion of the Virginia Railway Express to serve new markets. Mr. Page earned a B.S. degree in Urban Studies and Planning from Virginia Commonwealth University, is a graduate of the Virginia Executive Institute, and his professional awards of recognition include the VDOT Peer Award, VDOT Commissioner's Award of Excellence, the Virginia Economic Developer's Association Economic Development Ally of the Year Award, HB2 (Smartscale) Team Excellence in Teamwork Award, CSX Transportation Partnership Award, the Commonwealth Transportation Safety Board's Award for Rail Safety, and the Amtrak President's State Partner Award.

### **HRTAC Annual Budget**

As adopted, HRTAC's Fiscal Year 2025 administrative and operating expense budget totals \$6,692,793 and is expected to be funded proportionately by the HRTF and the Hampton Roads Regional Transit Fund. The largest expenditures in the budget are personnel and professional services costs. As

required by the HRTAC Act, the annual budget is limited solely to the administrative and operating expenses of the Commission and does not include funds for construction or acquisition of transportation facilities or for the performance of any transportation service. See “HAMPTON ROADS TRANSPORTATION FUND – General” and “SECURITY FOR AND SOURCES OF PAYMENT OF THE SERIES 2024A BONDS – Flow of Funds” herein, and “Table 5: HRTAC Operating Budget” in Appendix E. The financial activities of the Commission are overseen by the Commission’s Finance Committee and are subject to annual audit (as described below) and annual reporting to the Commonwealth’s Joint Legislative Commission on Transportation Accountability.

## Deposits and Investments

Information regarding HRTAC’s cash and investments as of June 30, 2024 is included in Note 2 (Deposits and Investments) of HRTAC’s audited financial statements for the Fiscal Year ended June 30, 2024 included in Appendix B. At June 30, 2024, HRTF cash, cash equivalents and investments consisted of the following:

Cash	\$ 37,889,568 <sup>(1)(3)</sup>
Local Government Investment Pool (LGIP)	966,192,186 <sup>(1)(2)</sup>
Bank Deposits	498,888,104 <sup>(1)(3)</sup>
State Non-Arbitrage Pool (SNAP)	54,118,554 <sup>(4)</sup>
Wilmington Trust	<u>76,165,534<sup>(5)</sup></u>
<b>Total</b>	<b><u>\$1,633,253,946</u></b>

Source: Derived from HRTAC’s Financial Statements for the Fiscal Year Ended June 30, 2024 (Note 2), included in Appendix B. Includes Hampton Roads Regional Transit Fund amounts aggregating \$91,664,372.

- (1) Amounts in this line are included in the General Fund. For a description of the General Fund, see “SECURITY FOR AND SOURCES OF PAYMENT OF THE SERIES 2024A BONDS.” Substantial amounts in the General Fund are programmed for PayGo expenditures on various projects, including the HRBT Expansion Project, as described below. The General Fund is also the funding source for other HRTAC commitments as described in “SECURITY FOR AND SOURCES OF PAYMENT OF THE SERIES 2024A BONDS – Flow of Funds (Application of Amounts in the General Fund) and (Transfers of HRTF Revenues from the General Fund to Support Toll Revenue Bonds).”
- (2) The LGIP is a specialized commingled investment program that operates in compliance with GASB Statement No. 79 and is intended to offer a convenient and cost-effective investment vehicle for public funds. It is a professionally managed money market fund, which invests in qualifying obligations and securities as permitted by Virginia statutes, and is rated AAAM by S&P (as defined below).
- (3) Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (SPDA). Under the SPDA, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and, depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits.
- (4) SNAP has been established by the Commonwealth of Virginia to provide investment management, accounting and arbitrage rebate calculation services for proceeds of tax-exempt borrowings and other financings of Virginia issuers that are subject to Section 148 and related sections of the Internal Revenue Code. It invests in obligations of the United States Government and its agencies, high quality debt obligations of U.S. companies and obligations of financial institutions, is rated AAAM by S&P, and is managed in accordance with GASB Statement No. 79.

The SNAP Fund line includes bond proceeds from HRTAC’s Series 2023A Notes, issued to finance the HRELN Segment 4C Project.

- (5) The Wilmington Trust line includes amounts held under the Master Indenture and applicable Supplemental Indentures related to other debt obligations of HRTAC. Generally, such amounts are in and restricted to various project funds, debt service funds, and costs of issuance funds.

The information in Note 2 (Deposits and Investments) provides a description of HRTAC's investment policy and related matters. Of the amounts set forth above and as further described in the footnotes to the table, some amounts are restricted, or consist of trust funds, or are largely committed or held to fulfill HRTAC commitments under its Six-Year Funding Plan (including various Standard Project Agreements and the PAFA), and the HRTPO Long-Range Transportation Plan. See "DEVELOPMENT OF CAPITAL EXPENDITURE AND FUNDING PLANS."

As described in this Official Statement, HRTAC provides a significant portion of project funding with PayGo, primarily sourced to the General Fund. Approximately \$1.16 billion HRTF PayGo is currently programmed to fund the HRBT Expansion Project, and approximately \$357 million HRTF PayGo is currently programmed to fund the HRELN Project. Of such commitments, as of September 3, 2024, approximately \$1.33 billion remains to be paid through and following completion of such projects.

## **DEVELOPMENT OF CAPITAL EXPENDITURE AND FUNDING PLANS**

The primary documents that guide the Commission's transportation funding priorities are the HRTPO Long-Range Transportation Plan ("LRTP") and HRTAC's Six-Year Funding Plan, both of which are described below.

### **HRTPO's Long-Range Transportation Plan**

HRTAC sets its long-range transportation funding priorities in coordination with the conceptual, regional consensus developed through meetings of the HRTPO. The HRTPO is a metropolitan planning organization ("MPO") established in accordance with the Federal-Aid Highway Act of 1962, as amended. Federal regulations require that urbanized areas throughout the United States have MPOs to conduct a continuing, cooperative and comprehensive transportation planning process. Urbanized areas are defined as areas with a population of 200,000 or greater, known as Transportation Management Areas ("TMAs"). MPOs participate in a federal certification review of the transportation planning process for their TMAs every four years. MPOs must be certified in order to receive federal funds for transportation projects. The transportation planning process must result in plans and programs that consider all modes of transportation and support metropolitan community development and social goals. These plans and programs must lead to the development and operation of an integrated, intermodal transportation system that facilitates the efficient, economic movement of people and goods.

HRTAC participates in the HRTPO's planning process by preparing and updating a fiscally constrained long-range regional transportation project funding plan for the High Priority Projects in Planning District 23 which includes transportation improvements of regional significance and improvements necessary or incidental thereto. It is important to note the "constrained" aspect of HRTAC's plan for regional priority projects, which means HRTAC has identified only those projects which could be funded from available resources in HRTAC's 2045 Long-Range Funding Plan ("HRTAC 2045 Long Range Funding Plan"). The HRTPO's 2045 LRTP includes long-range and "Vision Plan" projects as detailed herein. HRTAC communicates its long-range plan to the HRTPO, and the HRTPO works to incorporate such plan into the constrained section of its broader Long-Range Transportation Plan. HRTPO's 2045 LRTP includes the HRELN Project which is being funded in part by the Series 2024A Bonds.

The HRTPO 2045 LRTP is the official transportation blueprint guiding multimodal transportation investments for Hampton Roads and is used to (i) identify regional priority projects, and (ii) help determine project sequencing based on project readiness and available funding. As the guiding regional transportation plan, the HRTPO 2045 LRTP is designed to be a “living” document, updated through an amendment process. HRTAC most recently amended its HRTAC 2045 Long Range Funding Plan on June 20, 2024, to conform to updated cost estimates and opening year information for multiple regional priority projects to be supported by HRTAC funds and to reflect updated revenue forecasts used to fiscally-constrain those projects. Of the total \$12.56 billion highway and transit projects included in the HRTAC 2045 Long Range Funding Plan, HRTAC’s regional high priority highway project costs included are approximately \$11.56 billion, expressed in year-of-expenditure dollars to properly reflect inflation, of which HRTAC has programmed only a subset in the Six-Year Funding Plan. See “Table IV: HRTAC Projects Under Agreements With VDOT” and “Table V: HRTAC Projects Under Development with VDOT.” HRTAC’s approach has been to provide funding as the project planning, engineering and readiness process warrants, and in coordination with VDOT.

As HRTAC allocates funds to projects in its 2045 Long Range Funding Plan and FY 2025 – FY 2030 Six-Year Funding Plan Update, those projects are reflected in HRTPO’s Transportation Improvement Program (“TIP”), which is a four-year program for the implementation of surface transportation projects in Hampton Roads. The TIP includes all funded transportation projects of regional significance.

The HRTAC projects under agreements with VDOT in the HRTPO 2045 LRTP include the Interstate 64 Peninsula Widening Project in Newport News, York County and James City County, the I-64/I-264 Interchange Improvements Project in Norfolk and Virginia Beach, and the I-64 Southside Widening and High Rise Bridge Project (Phase I) in Chesapeake (collectively, the “Initial Financed Projects”), the HRBT Expansion Project, and HRELN Segments 4A/4B, 4C and 1A, as well as certain HRELN preliminary engineering work. See “Table IV: HRTAC Projects Under Agreements with VDOT.”

The HRTAC projects under development with VDOT in the HRTPO 2045 LRTP, which are in various stages of cost estimation, analysis, preliminary engineering, right of way, and construction, include HRELN Segment 4A/4B, 1A, and 1B, I-64/I-464 Loop Ramp, and “Gen Three Projects” (including I-64/Denbigh Boulevard Interchange, I-264/Independence Boulevard Interchange, and I-264/I-64 Phase III-A). These projects are incorporated in HRTAC’s current Six-Year Funding Plan (for Fiscal Years 2025 through 2030). HRTAC has planned for future anticipated construction funding for these projects. HRTAC will continue to refine cost estimates for these projects and will engage with VDOT to identify funding commitments based on project readiness and funding availability. See “Table V: HRTAC Projects Under Development with VDOT.”

Other long-range HRTAC projects in the 2045 LRTP include the Bowers Hill Interchange, I-664 Widening to College Boulevard, I-64/I-464 Loop Ramps (Phase II), I-264 Widening, VA 164 Widening, and the VA 168 Bypass to be completed by 2045. See “Table VI: Future HRTAC Projects in the 2045 Long Range Funding Plan.”

Projects not included in the HRTPO 2045 LRTP, but included within a “Vision Plan” for the region, are longer term and will require additional study and evaluation. They will not be completed unless additional resources become available. The projects within the “Vision Plan” include construction of an I-564/I-664 Connector (dubbed “Patriot’s Crossing”) to connect Norfolk with the existing Monitor Merrimac Memorial Bridge Tunnel, improvements to the I-664 Monitor-Merrimac Memorial Bridge-Tunnel connecting Suffolk with Newport News, improvements to VA 164 in Portsmouth, and construction of a VA I-64 Connector to the Patriot’s Crossing.

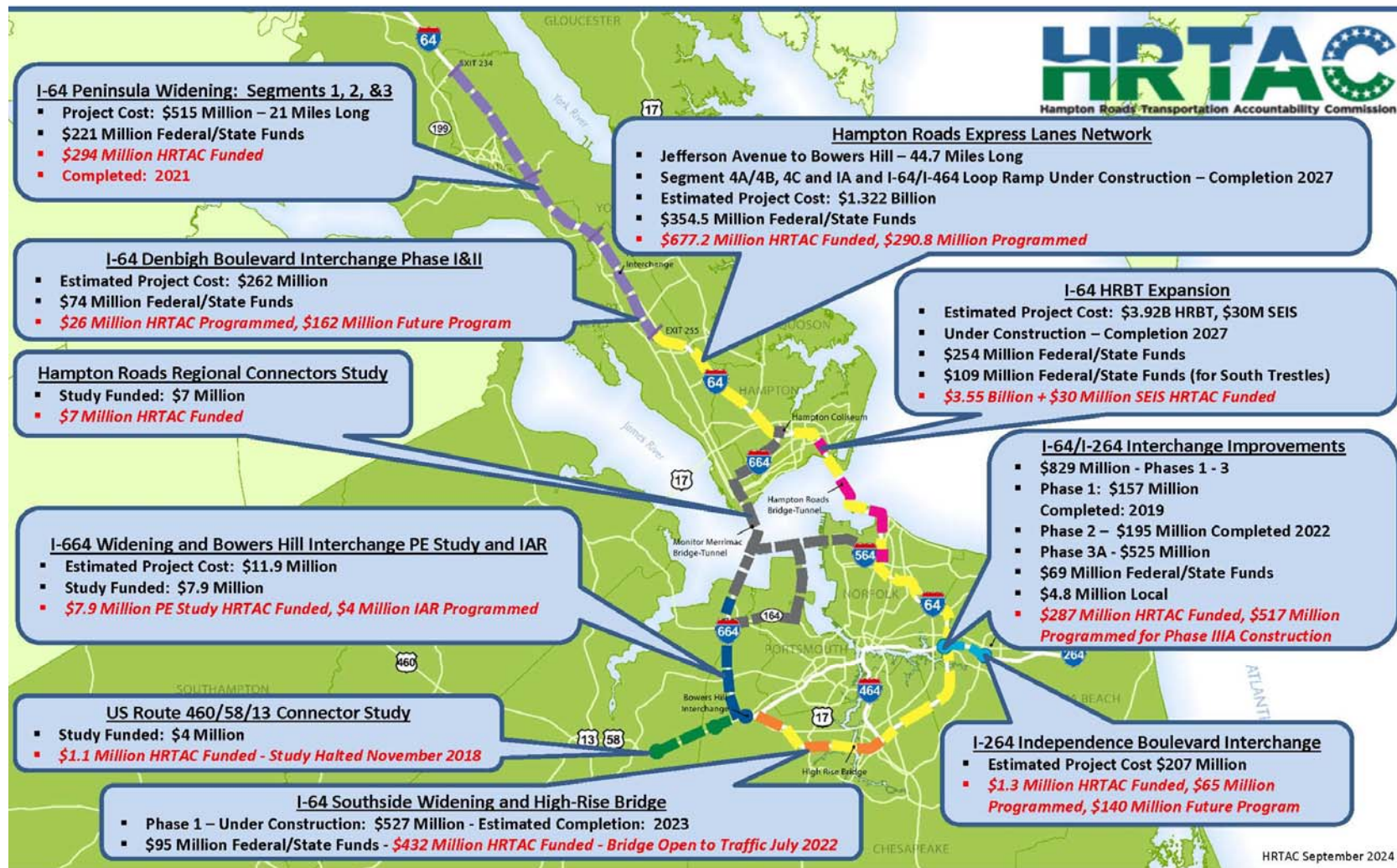
The map on the following page illustrates the HRTAC projects under agreement with VDOT and under development with VDOT.

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# Hampton Roads Regional Transportation Priority Projects

## \$5.3 Billion HRTAC Funded Under Construction



## **HRTAC Six-Year Funding Plan**

The Commission is required by the HRTAC Act to develop and adopt the Six-Year Funding Plan (which is a rolling six-year plan) to provide for the expenditure of funds over a four- to six-year period for projects that have been planned and also programmed for actual development. The Six-Year Funding Plan is required by the HRTAC Act to align as much as possible with the Statewide Transportation Plan maintained by the CTB and described below.

HRTAC's current Six-Year Funding Plan (for Fiscal Years 2025 through 2030) was adopted in June 2021 and updated on June 20, 2024, and includes the Initial Financed Projects, the HRBT Expansion Project, the HRELN Project, and the Gen Three Projects. The current Six-Year Funding Plan identifies a variety of funding sources that may be utilized by the Commission, including HRTF funds applied directly to construction costs as PayGo (in lieu of borrowed/leveraged amounts to generate bond or loan proceeds), the remaining proceeds of Bonds previously issued under the Master Indenture, additional Bonds, toll revenues and debt proceeds, VDOT funding, and other public funds.

The Six-Year Funding Plan is designed to prioritize the funding of projects in a manner consistent with (i) the regional project sequencing set forth in the HRTPO 2045 LRTP and HRTAC 2045 Long Range Funding Plan, (ii) the CTB's Statewide Transportation Plan and its prioritization process (described below), and (iii) the goal of providing the greatest impact on reducing congestion for the greatest number of citizens residing in the Member Localities.

## **Statewide Transportation Plan**

Under state law, the CTB's Statewide Transportation Plan must incorporate the measures and goals of the approved long-range plans developed by applicable regional organizations. In addition, consistent with the Statewide Transportation Plan, the CTB is required to develop, in accordance with federal transportation requirements, and in cooperation with MPOs situated within the Commonwealth, a statewide prioritization process for the use of available highway funds in a manner that considers congestion mitigation, economic development, accessibility, safety, environmental quality, and other factors.

The current statewide prioritization process for transportation projects financed by the Commonwealth was established under Chapter 726, 2014 Va. Acts of Assembly, enacted on April 6, 2014, and codified in Virginia Code Section 33.2-214.1. This project selection process, known as SMART SCALE (System for the Management and Allocation of Resources for Transportation) (the "SMART SCALE Program"), is a competitive prioritization process administered by the Commonwealth to advise the CTB in its funding decisions. For each SMART SCALE cycle, the screening and scoring results are presented to the CTB and the public and a Six-Year Improvement Program for the Commonwealth is developed based on CTB direction and the SMART SCALE scoring results. As enacted, the prioritization process utilized by the CTB is designed to be an objective and quantifiable analysis for project selection that considers, at a minimum, congestion mitigation, economic development, accessibility, safety, and environmental quality. When evaluating and scoring projects within the geographical confines of HRTAC, the SMART SCALE Program requires the CTB to weigh congestion mitigation as the most important factor.

The SMART SCALE Program has committed approximately \$384 million toward the Initial Financed Projects. VDOT contributed \$200 million of state-controlled federal funds to the HRBT Expansion Project. See also the section entitled "HRELN PROJECT – HRBT Expansion Project."

The Six-Year Funding Plan assumes no additional SMART SCALE funding beyond these amounts. The HRTPO will submit HRTAC project SMART SCALE funding applications for the next allocation

cycle. For each SMART SCALE cycle, basic project information must be submitted by June 1st of the calendar year, and final project applications must be submitted by August 1st.

## **VDOT Agreements**

HRTAC has entered into Standard Project Agreements for construction with VDOT for the Initial Financed Projects and the Initial HRELN Projects (defined and described below), and the PAFA with VDOT for the HRBT Expansion Project, all of which relate to HRTAC's funding of approved projects and will be part of VDOT's statewide transportation system. Under certain Standard Project Agreements and the PAFA, the CTB has agreed to also contribute state funds to construction. Under all Standard Project Agreements to date and the PAFA, VDOT has agreed to provide administration of project construction as reimbursed by HRTAC, and VDOT has assumed responsibility applicable for operation and maintenance of all roadway, bridge and tunnel structures at no cost to HRTAC. HRTAC's construction funding obligation under each of these agreements generally is limited to the amounts budgeted. If VDOT determines it may incur additional, unbudgeted costs, such as to cover construction cost overruns, HRTAC generally has the option to provide additional funding, cancel the applicable projects or a portion thereof, or authorize VDOT to make modifications or reductions in scope or design to stay within the initial budget under the applicable Standard Project Agreement or PAFA. The HRTAC Act does not permit HRTAC to include in its budget any HRTF funds to independently operate and maintain funded projects or to perform any transportation service therefor. HRTAC has no control over the long-term impact of its spending on future obligations of the Commonwealth. See **"INVESTMENT CONSIDERATIONS – Risks Arising from Operating and Maintenance Burdens on Commonwealth."**

HRTAC's executed Standard Project Agreements and funding shares to date are described in Table IV below. Upon issuance of the Series 2024A Bonds, HRTAC will continue to contribute funds to various segments of the HRELN Project and Gen Three Projects, and such contributions will be made from proceeds of Bonds issued under the Master Indenture, PayGo funds from the HRTF, or toll revenue debt proceeds. See **"DEVELOPMENT OF CAPITAL EXPENDITURE AND FUNDING PLANS."**

Project development and delivery of each of the HRTAC projects will continue to be addressed using HRTAC's Standard Project Agreement ("SPA") engagement process between HRTAC and VDOT. This process begins with an initial project development SPA to develop preliminary engineering, conduct environmental ("NEPA") required work, identify right-of-way needs, and to prepare a project budget and schedule with contingencies. The first step is the initial project development SPA for each segment that will provide confidence of project constructability, permit ability, and budget identification. Funding and construction agreements are in place for current projects relating to the Segments 2A and 2B, and Segment 3 tolling infrastructure projects as well as Segment 4A/4B, 4C and 1A (the "Initial HRELN Projects"). Additional project development and delivery agreements are expected for the HRELN Project as geographically identified in the Master Tolling Agreement. Segment 1B is the remaining HRELN segment to be constructed to complete the HRELN Project. The construction SPAs for HRELN Segments 1B, as well as the Gen Three Projects, will be contingent upon project readiness and HRTAC's funding availability.

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**Table IV**  
**HRTAC Projects Under Agreements With VDOT (in Millions)**

	Prior Years	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	Total <sup>(1)</sup>
<b><u>Interstate 64 Peninsula Widening (Segments 1-3)</u></b>								
HRTAC Funding	\$294	\$0	\$0	\$0	\$0	\$0	\$0	\$294
VDOT Funding	<u>221</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>221</u>
Total	<u>\$515</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$515</u>
<b><u>I-64/I-264 Interchange Improvements (Phases I-II)</u></b>								
HRTAC Funding	\$280	\$0	\$0	\$0	\$0	\$0	\$0	\$280
VDOT Funding	68	0	0	0	0	0	0	68
HRTPO and Local Funding	<u>5</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5</u>
Total	<u>\$353</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$353</u>
<b><u>I-64 Southside Widening and High Rise Bridge Project (Phase I)</u></b>								
HRTAC Funding	\$432	\$0	\$0	\$0	\$0	\$0	\$0	\$432
VDOT Funding	<u>95</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>95</u>
Total	<u>\$527</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$527</u>
<b><u>HRBT Expansion Project</u></b>								
HRTAC Funding <sup>(2)</sup>	\$3,251	\$291	\$11	\$0	\$0	\$0	\$0	\$3,553
VDOT Funding <sup>(3)</sup>	<u>235</u>	<u>90</u>	<u>17</u>	<u>18</u>	<u>3</u>	<u>0</u>	<u>0</u>	<u>363</u>
Total	<u>\$3,486</u>	<u>\$381</u>	<u>\$28</u>	<u>\$18</u>	<u>\$3</u>	<u>\$0</u>	<u>\$0</u>	<u>\$3,916</u>
<b><u>HRELN - Segment 1A, 4A/4B, 4C, I-464 Interchange, TMP, Tolling Integration, and PE Costs<sup>(4)</sup></u></b>								
HRTAC Funding	\$199	\$197	\$181	\$97	\$4	\$0	\$0	\$677
VDOT Funding	123	61	61	22	4	5	0	275
Federal Funding	<u>3</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>18</u>
Total	<u>\$325</u>	<u>\$263</u>	<u>\$247</u>	<u>\$123</u>	<u>\$8</u>	<u>\$5</u>	<u>\$0</u>	<u>\$970</u>
<b><u>I-264/Independence Boulevard Interchange</u></b>								
HRTAC Funding	\$1	\$0	\$0	\$0	\$0	\$0	\$0	\$1
VDOT Funding	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$1</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1</u>
<b><u>I-264/I-64 Phase III-A</u></b>								
HRTAC Funding	\$7	\$1	\$0	\$0	\$0	\$0	\$0	\$8
VDOT Funding	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$7</u>	<u>\$1</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$8</u>
<b><u>Project Development</u></b>								
HRTAC Funding	\$49	\$0	\$0	\$0	\$0	\$0	\$0	\$49
VDOT Funding	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$49</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$49</u>
<b><u>Total To-Date Standard Project Funding Agreements or Project Administration and Funding Agreement With VDOT</u></b>								
HRTAC Funding	\$4,512	\$489	\$192	\$97	\$4	\$0	\$0	\$5,294
VDOT Funding	743	151	77	39	7	5	0	1,022
HRTPO and Local Funding	5	0	0	0	0	0	0	5
Federal Funding	<u>3</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>18</u>
Total	<u>\$5,262</u>	<u>\$645</u>	<u>\$275</u>	<u>\$141</u>	<u>\$11</u>	<u>\$5</u>	<u>\$0</u>	<u>\$6,338</u>

[Footnotes appear on the following page]

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Source: HRTAC, as of September 2024.

Notes:

- (1) Totals may not add up due to rounding.
- (2) Includes \$345 million TIFIA Series 2021 Toll Bond issued under the Master Toll Indenture.
- (3) Includes \$109 million in VDOT Funded HRBT South Trestle Replacement Costs in Project Administration and Funding Agreement (not included in HRTAC Six-Year Funding Plan), \$54 million in the supplemental contingency per the amendments to the Comprehensive Agreement executed in February 2024, and \$200 million in VDOT-controlled federal funding. See “HRELN PROJECT – HRBT Expansion Project.”
- (4) Include preliminary engineering work for Segment 1B.

The following Table V sets forth HRTAC projects programmed in the Six-Year Funding Plan, which are in various stages of cost estimation, analysis, preliminary engineering, and right-of-way, and thus, the applicable SPA between HRTAC and VDOT covers only certain preliminary engineering or right-of-way activities.

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**Table V**  
**HRTAC Projects Under Development with VDOT (in Millions)**

	Programmed Costs							To Be Programmed Costs					Total <sup>(1)</sup>
	Prior Years	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	
<b><u>HRELN - Segment 1B</u></b>													
HRTAC Funding	\$1	\$0	\$47	\$71	\$71	\$71	\$30	\$0	\$0	\$0	\$0	\$0	\$291
VDOT Funding	2	1	3	6	4	4	2	0	0	0	0	0	21
Federal Funding	<u>1</u>	<u>0</u>	<u>6</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>4</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>40</u>
Total	<u>\$4</u>	<u>\$2</u>	<u>\$57</u>	<u>\$86</u>	<u>\$84</u>	<u>\$84</u>	<u>\$35</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$352</u>
<b><u>I-64/Denbigh Boulevard</u></b>													
<b><u>Interchange</u></b>													
HRTAC Funding	\$2	\$3	\$6	\$6	\$3	\$4	\$4	\$37	\$40	\$40	\$40	\$3	\$188
VDOT Funding	<u>3</u>	<u>5</u>	<u>12</u>	<u>20</u>	<u>18</u>	<u>16</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>74</u>
Total	<u>\$5</u>	<u>\$8</u>	<u>\$18</u>	<u>\$26</u>	<u>\$21</u>	<u>\$19</u>	<u>\$4</u>	<u>\$37</u>	<u>\$40</u>	<u>\$40</u>	<u>\$40</u>	<u>\$3</u>	<u>\$262</u>
<b><u>I-264/Independence Boulevard</u></b>													
<b><u>Interchange</u></b>													
HRTAC Funding	\$0	\$1	\$4	\$4	\$4	\$1	\$53	\$53	\$44	\$44	\$0	\$0	\$206
VDOT Funding	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$0</u>	<u>\$1</u>	<u>\$4</u>	<u>\$4</u>	<u>\$4</u>	<u>\$1</u>	<u>\$53</u>	<u>\$53</u>	<u>\$44</u>	<u>\$44</u>	<u>\$0</u>	<u>\$0</u>	<u>\$206</u>
<b><u>I-264/I-64 Phase III-A</u></b>													
HRTAC Funding	\$0	\$1	\$1	\$127	\$140	\$135	\$113	\$0	\$0	\$0	\$0	\$0	\$517
VDOT Funding	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$0</u>	<u>\$1</u>	<u>\$1</u>	<u>\$127</u>	<u>\$140</u>	<u>\$135</u>	<u>\$113</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$517</u>
<b>Total HRTAC Funding</b>	\$3	\$5	\$58	\$207	\$217	\$211	\$199	\$90	\$84	\$84	\$40	\$3	\$1,202
<b>Total VDOT Funding</b>	5	6	15	26	22	19	2	0	0	0	0	0	95
<b>Total Federal Funding</b>	<u>1</u>	<u>0</u>	<u>6</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>4</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>40</u>
<b>Grand Total</b>	<u>\$9</u>	<u>\$11</u>	<u>\$80</u>	<u>\$243</u>	<u>\$248</u>	<u>\$240</u>	<u>\$204</u>	<u>\$90</u>	<u>\$84</u>	<u>\$84</u>	<u>\$40</u>	<u>\$3</u>	<u>\$1,337</u>

Source: HRTAC, as of September 2024.

Note:

(1) Totals may not add up due to rounding.

The HRTAC projects in the 2045 LRTP that are subject to funding availability or are planned on a vision basis, but not yet programmed for actual development, are shown in Table VI below. HRTAC may receive SMART SCALE and other funding for these projects in the future. The expected completion dates and estimated costs shown below incorporate a number of assumptions and are subject to change.

**Table VI**  
**Future HRTAC Projects in the HRTAC 2045 LRTP (in Millions)<sup>(1)</sup>**

<b><u>Project</u></b>	<b><u>Expected Completion</u></b>	<b><u>Estimated Cost</u></b>
Bowers Hill Interchange	2034	\$ 771
I-664 Widening to College Blvd	2035	1,529
I-64/I-464 Loop Ramps	2037	339
I-264 Widening	2040	669
VA-164 Widening	2045	493
VA-168 Bypass	2045	355

Source: HRTAC, 2045 Long Range Plan of Finance Update adopted June 20, 2024.

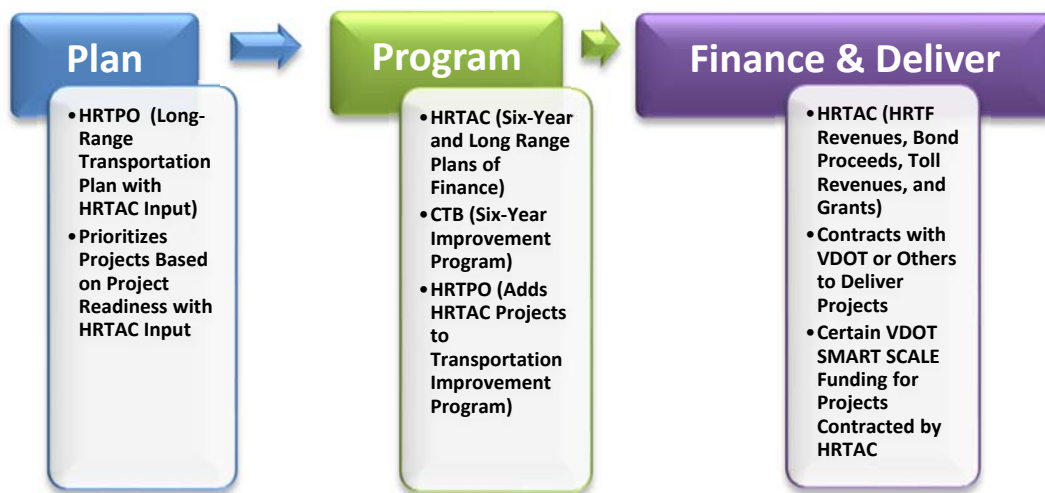
Note:

<sup>(1)</sup> HRTAC assumes \$971 million future VDOT funding.

### **Collaborative Planning Process**

As outlined above, the planning, programming, funding, and delivery of HRTAC projects requires input and collaboration between HRTAC, HRTPO and VDOT. HRTAC also receives administrative and technical support upon request from VDOT and DRPT. In general, the three entities have different, but interdependent roles: HRTPO undertakes regional transportation planning, HRTAC provides funding from the HRTF (in addition to toll revenues and other available sources), and VDOT delivers and administers the projects. The interplay and cooperation among the various public entities is summarized by the following diagram and bullet points.

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- HRTPO's LRTP identifies priority projects in the constrained plan or vision plan as under study/development/construction.
- HRTAC develops six-year and long-range plans of finance to guide in project funding for development and construction; HRTAC's plans feed into HRTPO's LRTP and when HRTAC allocates funds to specific projects, they are added to HRTPO's Transportation Improvement Program.
- The CTB selects Local Preferred Alternative, maintains Statewide Transportation Improvement Plan and the Commonwealth's Six-Year Improvement Program, allocates state funding to projects for VDOT, and awards SMART SCALE funding through its competitive statewide prioritization process.
- VDOT assists in project readiness and construction through HRTAC/VDOT Standard Project Agreements.

### **HRTAC Debt Management Plan**

Established on September 21, 2017 and as amended from time to time, most recently on April 18, 2024, the Commission's Debt Management Plan helps guide the Commission with respect to the funding and delivery of the projects in the Commission's Six-Year Funding Plan, currently through Fiscal Year 2030. The purpose of the plan is to support the implementation of HRTAC's construction funding program while achieving the lowest cost of capital on its borrowings. The Debt Management Plan evolves over time and sets forth the following goals:

(a) Full funding of project costs through Fiscal Year 2030 identified in the current Six-Year Funding Plan including the HRBT Expansion Project and the HRELN through completion, as well as Gen Three Projects into construction. HRTAC's commitments related to funding the projects under development with VDOT, see "Table V: HRTAC Projects Under Development with VDOT," are subject to the execution and delivery of one or more Standard Project Agreement(s) with VDOT in the future.

(b) Issuance of Bonds as construction progresses (which began in calendar year 2018 with issuance of the Series 2018A Bonds), including Bonds to reimburse PayGo expenditures, so that Bond sales



can be minimized in later years during which the Commission would likely have greater expenditure requirements;

(c) Establishment and maintenance of a structure suited for subsequent Bond issuances needed for HRTAC projects in the 2045 LRTP; and

(d) Exploration of the possibility of credit assistance under additional TIFIA loans backed by HRTAC Revenues under the Master Indenture and/or toll revenue-backed TIFIA loans, issued under indenture(s) separate from the Master Indenture, and including the use of bond anticipation notes where appropriate.

To provide for additional funding for HRTAC-programmed projects, HRTAC currently expects to issue the Series 2024A Bonds, and possible additional debt thereafter to be secured by HRTAC Revenues. Such additional debt and their lien level under the Master Indenture is still to be determined. Where appropriate, HRTAC may continue to utilize bond anticipation notes in conjunction with TIFIA loans.

The Debt Management Plan incorporates a number of assumptions regarding project costs, project timing, inflation rates, interest rates, revenue growth and federal and state funding, among others. The likelihood that all assumptions will prove to be accurate cannot be predicted. Assumptions and actual results are subject to change and to the occurrence of unanticipated events, such as those described under the caption “INVESTMENT CONSIDERATIONS.” HRTAC’s ability to incur indebtedness pursuant to its Debt Management Plan is in all instances subject to the conditions set forth in the Master Indenture and Related Supplemental Indentures, including but not limited to debt service coverage tests. See “SECURITY FOR AND SOURCES OF PAYMENT OF THE SERIES 2024A BONDS” above.

The funding components and the debt issuance plan incorporated in the Debt Management Plan are described in Tables VII and VIII below.

**Table VII**  
**Estimated HRTAC Project Costs by Funding Source (in Millions)<sup>(1)</sup>**  
**(Fiscal Years 2025 to 2030)**

<b>Sources</b>	<b>Amounts</b>
HRTF Bonds and TIFIA Loans <sup>(2)</sup>	\$204
Toll Revenue Debt <sup>(3)</sup>	583
HRTAC PayGo	891
VDOT Funding	370
Federal Funding	55
<b>Total</b>	<b>\$2,102</b>

Source: HRTAC.

Notes:

(1) Preliminary, subject to change. Totals may not add due to rounding.

(2) Includes Senior Bonds (including the Series 2024A Bonds), Intermediate Lien Obligations and Subordinate Obligations, both existing and those which may be incurred in the future. See Tables VIII and X herein.

(3) May include one or more TIFIA loans (including the TIFIA Series 2021 Toll Bond).

**Table VIII**  
**HRTAC Debt Issuance Plan in Par Amounts (in Millions)<sup>(1)</sup>**

	<b>CY</b> <b>2024</b>	<b>CY</b> <b>2025</b>	<b>CY</b> <b>2026</b>	<b>CY</b> <b>2027</b>	<b>CY</b> <b>2028</b>	<b>CY</b> <b>2029</b>	<b>Total</b>
<b>HRTF Bonds/TIFIA<sup>(2)</sup></b>	\$153	\$ -	\$ -	\$ -	\$ -	\$ -	\$153
<b>Toll Revenue Debt<sup>(3)</sup></b>	-	-	96	348	79	60	583
<b>Total</b>	\$153	\$0	\$96	\$348	\$79	\$60	\$736

Source: HRTAC.

Notes:

<sup>(1)</sup> Preliminary, subject to change.

<sup>(2)</sup> Includes the Series 2024A Bonds. See Table VII herein.

<sup>(3)</sup> Includes multiple toll revenue TIFIA loans (including the TIFIA Series 2021 Toll Bond) and the expected year of draws.

### MONTHLY REVENUES

The following tables show historical collections of the Additional Sales and Use Tax and the Additional Motor Vehicle Fuels Tax on a monthly basis. The following tables reflects point of sale cash collections. See also “Table I: Historical Hampton Roads Transportation Fund Revenues.”

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**Table IX**  
**HRTF Revenues on a Monthly Basis**

**Additional Sales and Use Tax (millions)**

<b>Month of Sales</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>	<b>2022 vs. 2021<sup>(2)</sup></b>	<b>2023 vs. 2022<sup>(2)</sup></b>	<b>2024 vs. 2023<sup>(2)</sup></b>
July	\$13.7	\$14.1	\$14.0	3.8%	2.9%	-0.7%
August	14.0	16.8	17.9	5.3	20.0	6.5
September	16.0	16.0	16.2	19.4	0.0	1.3
October	16.0	15.0	14.8	19.4	-6.3	-1.3
November	15.2	15.2	16.2	13.4	0.0	6.6
December	16.8	18.8	17.9	3.7	11.9	-4.8
January	12.2	14.0	13.8	1.7	14.8	-1.4
February	13.1	14.4	15.0	12.9	9.9	4.2
March	16.4	16.3	15.9	3.1	-0.6	-2.5
April	16.3	16.1	16.2	6.5	-1.2	0.6
May <sup>(1)</sup>	15.8	15.3	17.0	-28.5	-3.2	11.1
June	19.4	20.0	21.6	64.4	3.1	8.0
Total through December <sup>(2)</sup>	\$91.7	\$95.9	\$97.0			
Total <sup>(2)</sup>	\$184.9	\$192.0	\$196.5			

<sup>(1)</sup> May includes actual sales in May and 90% of sales in June of the prior fiscal year for certain vendors subject to the Commonwealth's accelerated sales tax rules, which as repealed beginning with payments due in June 2022.

<sup>(2)</sup> Totals and percentages may not add due to rounding.

**Additional Motor Vehicle Fuels Tax (millions)**

<b>Month of Sales</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>	<b>2022 vs. 2021<sup>(1)</sup></b>	<b>2023 vs. 2022<sup>(1)</sup></b>	<b>2024 vs. 2023<sup>(1)</sup></b>
July	\$5.2	\$5.8	\$6.2	4.0%	11.5%	6.9%
August	5.5	5.6	5.8	12.2	1.8	3.6
September	5.1	5.3	5.6	2.0	3.9	5.7
October	5.0	5.1	5.1	4.2	2.0	0.0
November	4.7	4.8	5.4	9.3	2.1	12.5
December	4.8	5.0	6.0	2.1	4.2	20.0
January	4.2	4.9	5.4	-2.3	16.7	10.2
February	4.6	4.7	5.2	24.3	2.2	10.6
March	5.0	5.2	5.1	0.0	4.0	-1.9
April	4.9	5.5	5.9	2.1	12.2	7.3
May	4.9	4.9	6.8	-5.8	0.0	38.8
June	4.7	4.0	4.8	4.4	-14.9	20.0
Total through December <sup>(1)</sup>	\$30.3	\$31.6	\$34.1			
Total <sup>(1)</sup>	\$58.7	\$60.8	\$67.1			

<sup>(1)</sup> Totals and percentages may not add due to rounding.

## FORWARD-LOOKING STATEMENTS

Certain statements included or incorporated by reference in this Official Statement, including the Appendices hereto, constitute “forward-looking statements.” Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “anticipate,” “intend,” “believe,” “budget” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance can be given that actual results will meet the Commission’s forecasts in any way, regardless of any level of optimism communicated in this Official Statement, including the Appendices hereto. The Commission will not issue any updates or revisions to forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based, change.

## HISTORICAL COVERAGE AND PROJECTED OPERATING RESULTS

### Historical Coverage

The following Table X presents historical debt coverage for Fiscal Years 2021 through 2024 based on the formulas set forth in the following “Table XI: Projected HRTF Bonds Debt Service and Debt Service Coverage Ratio.”

**Table X**  
**Historical Debt Coverage**

<b>Fiscal Year</b>	<b>Senior Lien</b>	<b>Intermediate Lien</b>	<b>Subordinate Lien</b>
2021	5.02x	-	-
2022	4.66x	3.34x	-
2023	4.84x	-	-
2024	5.05x	-	-

For additional information regarding historical HRTF Revenues, see the sections entitled “HAMPTON ROADS TRANSPORTATION FUND – Historical HRTF Revenues,” and “MONTHLY REVENUES,” and the tables in Appendix E entitled “Table 1: “HRTF Revenues,” “Table 2: “Hampton Roads Transportation Fund (HRTF) Revenues and Expenditures,” and “Table 4: FY 2024 Hampton Roads Transportation Accountability Commission HRTF Collections.”

### Projected Operating Results

The following Table XI presents the Commission’s projections for HRTAC Revenues, Principal and Interest Requirements and related measures of debt service coverage through Fiscal Year 2064. Such projections present management’s expectations based on various assumptions described therein and herein (especially as noted below and in the footnotes to Table XI), financials developed by the Commission and financial analysis prepared by the Commission’s Financial Advisor.

The following projections are predicated on the following basic sources and assumptions:

- For both the Additional Sales and Use Tax revenue and the Additional Motor Vehicle Fuels Tax revenue for Fiscal Years 2025 through 2030, the projections consist of forecasts provided in May 2024 by the Virginia Department of Taxation.
- Beginning in Fiscal Year 2031, projections of the Additional Sales and Use Tax revenue assume a 3.98% annual growth rate that is based on a compounded annual growth calculation period comprised of the historical local option sales and use tax from 2013 to 2015, the historical data for the Additional Sales and Use Tax revenue from 2016 to 2024, and the Virginia Department of Taxation projections from 2025 to 2030.
- Beginning in Fiscal Year 2031, projections of the Additional Motor Vehicle Fuels Tax revenue assume a 3.56% annual growth rate that is based on a compounded annual growth calculation period comprised of historical Additional Motor Vehicle Fuels Tax revenue from 2021 to 2024, and the Virginia Department of Taxation projections from 2025 to 2030. Please note that it is not practical to use a longer period for the Additional Motor Vehicle Fuels Tax revenue compounded annual growth calculation, due to various legislative changes to the tax rate, such as indexing, implemented prior to Fiscal Year 2021 as described in “HAMPTON ROADS TRANSPORTATION FUND – HRTF Revenues.”

***Actual future HRTAC Revenues and therefore debt service coverage may vary from the figures presented below, and any such variance(s) may be significant in size and duration. Hence, there can be no assurance as to the accuracy of the estimates and projections or that they will approximate actual results. None of the Commission, the Financial Advisor or the Underwriters warrants or represents that the estimates and projections in Table XI will be met. The revenues and coverages contained in Table XI are based upon assumptions about the outcome of future events, and there can be no assurance that the assumptions embodied in the estimates and projections will prove to be accurate. See “FORWARD-LOOKING STATEMENTS” and “INVESTMENT CONSIDERATIONS – Risks of Non-Appropriation and Future Legislative or Administrative Actions Affecting Revenues,” “– Forward-Looking Statements and Forecasts,” and “– Actual Results May Diverge from Projections.”***

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**Table XI**  
**Projected HRTF Bonds Debt Service and Debt Service Coverage Ratio**

Pledged Revenues <sup>(1), (2)</sup>				Principal and Interest Requirements <sup>(3)</sup>				Debt Coverage <sup>(7)</sup>		
Fiscal Year	Additional Retail Sales and Use Tax <sup>(4)</sup>	Additional Wholesale Motor Vehicle Fuels Tax <sup>(5) (6)</sup>	Total Pledged Revenues	Existing Senior Lien	Existing Intermediate Lien	Existing Subordinate Lien	Series 2024A Bonds Senior Lien <sup>(7)</sup>	Senior Lien	Intermediate Lien	Subordinate Lien
			[A]	[B]	[C]	[D]	[E]	[A]/([B]+[E])	[A]/([B]+[C]+[E])	[A]/(Sum of [B] to [E])
2025	\$188,500,000	\$66,500,000	\$255,000,000	\$56,985,100	\$ -	\$11,959,440	\$5,281,913	4.10x		3.44x
2026	196,200,000	68,900,000	265,100,000	56,987,850	7,050,000	12,468,861	7,636,500	4.10x	3.70x	3.15x
2027	203,900,000	70,800,000	274,700,000	66,238,600	7,050,000	31,818,213	7,636,500	3.72x	3.39x	2.44x
2028	211,400,000	72,800,000	284,200,000	66,234,350		39,002,806	7,636,500	3.85x		2.52x
2029	218,800,000	74,800,000	293,600,000	66,239,100		39,594,698	7,636,500	3.97x		2.59x
2030	225,800,000	76,700,000	302,500,000	66,235,600		45,211,833	9,326,500	4.00x		2.50x
2031	234,783,971	79,427,178	314,211,149	65,977,350		45,848,919	9,327,000	4.17x		2.59x
2032	244,125,390	82,251,324	326,376,714	65,975,100		50,134,670	9,328,250	4.33x		2.60x
2033	253,838,480	85,175,886	339,014,366	65,979,600		56,558,653	9,325,000	4.50x		2.57x
2034	263,938,026	88,204,436	352,142,462	65,978,350		57,528,709	9,327,250	4.68x		2.65x
2035	274,439,406	91,340,670	365,780,076	65,974,350		58,605,172	9,329,500	4.86x		2.73x
2036	285,358,608	94,588,418	379,947,026	65,980,350		59,819,752	9,326,500	5.05x		2.81x
2037	296,712,255	97,951,643	394,663,898	65,980,350		60,890,449	9,328,250	5.24x		2.90x
2038	308,517,633	101,434,453	409,952,086	65,979,350		62,025,873	9,329,250	5.44x		2.99x
2039	320,792,715	105,041,099	425,833,815	66,359,300		63,286,309	9,329,250	5.63x		3.06x
2040	333,556,190	108,775,985	442,332,175	66,357,800		64,589,068	9,328,000	5.84x		3.15x
2041	346,827,489	112,643,670	459,471,158	66,358,450		71,433,669	9,325,250	6.07x		3.12x
2042	360,626,816	116,648,875	477,275,692	66,359,250		72,045,886	9,325,750	6.31x		3.23x
2043	374,975,182	120,796,492	495,771,674	66,358,100		72,738,911	9,329,000	6.55x		3.34x
2044	389,894,430	125,091,583	514,986,013	66,362,150		73,416,751	9,329,500	6.80x		3.45x
2045	405,407,275	129,539,392	534,946,667	66,363,100		74,124,028	9,327,000	7.07x		3.57x
2046	421,537,334	134,145,349	555,682,683	66,362,950		74,880,788	9,326,250	7.34x		3.69x
2047	438,309,165	138,915,078	577,224,242	66,357,950		75,618,840	9,326,750	7.63x		3.82x
2048	455,748,301	143,854,401	599,602,701	65,382,950		76,903,115	9,328,000	8.03x		3.95x
2049	473,881,293	148,969,348	622,850,641	65,384,850		77,751,289	9,329,500	8.34x		4.09x
2050	492,735,748	154,266,165	647,001,913	65,380,400		78,573,044	9,325,750	8.66x		4.22x
2051	512,340,371	159,751,318	672,091,689	65,382,000		79,923,166	9,326,500	9.00x		4.35x
2052	532,725,008	165,431,503	698,156,512	65,381,600		81,504,891	9,326,000	9.35x		4.47x
2053	553,920,696	171,313,656	725,234,351	65,382,600		83,424,043	9,328,750	9.71x		4.59x
2054	575,959,702	177,404,956	753,364,658	65,378,750		85,394,895	9,329,000	10.08x		4.71x
2055	598,875,581	183,712,841	782,588,422	65,381,763		87,395,442	9,326,250	10.48x		4.83x
2056	622,703,220	190,245,013	812,948,233	65,378,438		63,194,539	9,325,000	10.88x		5.90x
2057	647,478,897	197,009,444	844,488,342	65,382,413		63,061,374	9,329,500	11.30x		6.13x
2058	673,240,331	204,014,395	877,254,727	67,017,575		61,935,242	9,328,750	11.49x		6.34x
2059	700,026,743	211,268,417	911,295,160	67,016,525		61,641,448	9,327,250	11.94x		6.60x
2060	727,878,914	218,780,366	946,659,280	67,017,800		62,482,207	9,329,250	12.40x		6.82x
2061	756,839,247	226,559,413	983,398,660	0		28,502,102	9,328,750	105.42x		25.99x
2062	786,951,834	234,615,055	1,021,566,889	0		0	9,325,000	109.55x		
2063	818,262,519	242,957,127	1,061,219,645	0		0	9,327,250	113.78x		
2064	850,818,971	251,595,813	1,102,414,784	0		0	9,329,250	118.17x		

*[Footnotes appear on the following page]*

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Notes:

- (1) Consists of HRTAC Revenues.
- (2) See “MONTHLY REVENUES – HRTAC and HRTF Revenues.”
- (3) Does NOT include future issuances of Senior Bonds, Intermediate Lien Obligations, or Subordinate Lien Obligations. HRTAC does not anticipate any future issuances after the issuance of the Series 2024A Bonds to fund projects in the Six-Year Funding Plan. See “Table VIII: HRTAC Debt Issuance Plan in Par Amounts” and “DEVELOPMENT OF CAPITAL EXPENDITURE AND FUNDING PLANS – HRTAC Debt Management Plan.”
- (4) FY2025-2030 forecast provided by VA Department of Taxation in May 2024. Starting in 2031, assumes a 3.98% annual growth rate based on a compounded annual growth calculation period comprised of historical Local Option Sale and Uses Tax from 2013 to 2015, historical HRTF Sales and Uses Tax Revenue from 2016 to 2024, and VA Department of Taxation projection from 2025 to 2030.
- (5) FY2025-2030 forecast provided by VA Department of Taxation in May 2024. Starting in 2031, assume a 3.56% annual growth rate based on a compounded annual growth calculation period comprised of historical HRTF Fuels Tax Revenue from 2021 to 2024, and VA Department of Taxation projections from 2025 to 2030.
- (6) A longer period for the HRTF Fuels Tax compounded annual growth calculation is not practical due to different tax rate regimes implemented prior to FY 2021 - see the summary in “HAMPTON ROADS TRANSPORTATION FUND – HRTF Revenues.”
- (7) Preliminary, subject to change.

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None of the Commission, the Financial Advisor or the Underwriters warrants or represents that the estimates or amounts set forth in Table XI or the December, 2022 VA Department of Taxation estimates will be met. In addition, the Commission gives no assurances that the actual financial results of future HRTAC Revenues and debt service coverage will meet or exceed the presentation set forth in Table XI. See **“FORWARD-LOOKING STATEMENTS”** and **“INVESTMENT CONSIDERATIONS – Risks of Non-Appropriation and Future Legislative or Administrative Actions Affecting Revenues,”** **“– Forward-Looking Statements and Review Presentation,”** and **“– Actual Results May Diverge From Review Presentation.”**

## INVESTMENT CONSIDERATIONS

### **The Series 2024A Bonds Are Limited Obligations**

The Series 2024A Bonds are limited obligations of HRTAC that are payable solely from the funds pledged under the Master Indenture for such purpose. The Series 2024A Bonds are not a debt of the Commonwealth or any political subdivision thereof (including any Member Locality or any member of the HRTPO or the HRPDC) other than the Commission, and the Series 2024A Bonds do not constitute indebtedness within the meaning of any debt limitation or restriction. Neither the faith and credit nor the taxing power of the Commonwealth or any of its political subdivisions (including any Member Locality or any member of the HRTPO or the HRPDC) is pledged to the payment of the Series 2024A Bonds. The Series 2024A Bonds are not secured by a pledge of any toll revenues or any other revenues generated by HRTAC projects.

### **Risks of Non-Appropriation and Future Legislative or Administrative Actions Affecting Revenues**

***Availability of HRTF Revenues is Subject to Appropriation.*** The General Assembly is responsible for setting the rates of the taxes and fees from which the HRTF Revenues are derived and for appropriating such revenues from the state budget to the HRTF. HRTAC makes no representation that the General Assembly will maintain the rates of the taxes and fees or continue to make appropriations of amounts to the HRTF. In addition, HRTAC makes no representation that the General Assembly will not repeal or materially modify the legislation creating the HRTF or imposing the taxes and fees. The General Assembly is not legally required to make the aforementioned appropriations or to refrain from repealing or modifying such legislation. Legislative considerations regarding the Commonwealth’s budget priorities could materially impact HRTAC’s ability to continue receiving the HRTF Revenues.

Under the Virginia Constitution, no appropriation is valid for more than two years and six months after the adjournment of the session of the General Assembly at which the appropriation was made. The General Assembly of the Commonwealth is not obligated to make any future appropriations, and the Commission makes no representation that the General Assembly will keep the HRTF in existence or that appropriations to the HRTF will be made by the General Assembly in any future fiscal year of the Commonwealth. As a practical matter there is no effective remedy if the Governor and the General Assembly fail to provide for HRTF funding in the Commonwealth’s budget. See **“HAMPTON ROADS TRANSPORTATION FUND—Subject-to-Appropriation”** above.

In recent years, the process of reaching a legislative agreement on the Commonwealth’s budget has been subject to delays and political division. Although this has not impacted the Commission, it could have an impact in the future.



**Political Risks.** The funding sources for the Commission may, over time, be subject to political scrutiny as viewpoints change or new economic or financial challenges arise, including but not limited to initiatives to reduce the use of fossil fuels, greater fuel efficiency standards, any movement to shift to mileage-based usage fees rather than fuels taxes, the burdens of long-term operating and maintenance expense, and other factors. This is particularly true given that sales taxes and fuels taxes are regressive taxes that are not necessarily allocated to entities and persons that most benefit from the expenditures derived from such taxes. As with any body that undertakes infrastructure projects that involve significant sums of money and that affect many citizens and businesses, there is a risk of political interference into the operations of the funding and operating authorities, some of which may be detrimental to bondholders or their rights under the Indenture.

**Sunset Provision.** Chapter 766 is a broad-based transportation initiative that provides not only for the collection and application of HRTF Revenues, but also for generating certain other additional revenues to fund transportation improvements throughout the Commonwealth. However, enactment Clause 14 of Chapter 766 declares that the provisions of Chapter 766 that generate additional revenue through state taxes or fees for transportation throughout the Commonwealth and in Planning District 23 shall expire on December 31 of any year in which the General Assembly appropriates or transfers any of such additional revenues for any non-transportation-related purpose. In other words, the appropriation of revenues generated pursuant to Chapter 766 for a purpose other than that permitted by Chapter 766, even if the particular revenue affected is not payable to the HRTF, could result in expiration of all revenue provisions of Chapter 766 if the General Assembly does not enact any savings clause or otherwise take action to override such sunset provision. The General Assembly enacted a similar provision in 2020 Acts of Assembly, Chapter 1230 (“Chapter 1230”), in connection with the statewide restructuring of the Commonwealth’s transportation funding arrangements and which legislation changed the Additional Motor Vehicles Fuels Tax from its previous tax rate to the a consumer price index adjusted rate, subject to an annual adjustment in accordance with the consumer price index.

**No assurance can be given that the General Assembly will not take action in the future that could activate the sunset provisions of Chapter 766 or Chapter 1230, and no assurance can be given that, if such activation occurs, the General Assembly will enact a savings clause or otherwise take action to override such sunset provision(s).** In such event, it is possible that the rights of bondholders under the Indenture could be impaired without any recourse by either bondholders or the Commission.

**TIFIA Revenue Sharing Trigger Event.** The 2023 HRTF TIFIA Loan Agreement provides that, following a Revenue Sharing Trigger Event, prepayment of the 2023 HRTF TIFIA Loan will be made, on a pro rata basis with any other 2023 HRTF TIFIA Loan then outstanding, and such prepayment would be made in monthly increments under the Master Indenture after current payments are made on the Senior Bonds and Intermediate Lien Obligations of the Commission. A “Revenue Sharing Trigger Event” is defined to occur as of any date on which Subordinate Obligations issued to the TIFIA Lender are Outstanding, and both of the following exist: (a) HRTAC or VDOT, on behalf of the HRTAC, is not actively engaged in the development of capital project programs in the Hampton Roads Transportation Planning Organization’s most recently adopted long-range transportation plan, and (b) for so long as the 2021 TIFIA Toll Obligation remains Outstanding, the unencumbered amount on deposit in the General Fund (after taking into account any HRTF Transfers required to be made as of such date or within the next twelve (12) months) is greater than \$50,000,000 after making the deposits or transfers as described in paragraphs FIRST through TENTH under “SECURITY FOR AND SOURCES OF PAYMENT OF THE SERIES 2024A BONDS – Flow of Funds” herein and clauses (i) through (iv) under “SECURITY FOR AND SOURCES OF PAYMENT OF THE SERIES 2024A BONDS – Flow of Funds – Application of Amounts in the General Fund” herein (in that order). If a Revenue Sharing Trigger Event occurs and obligations to TIFIA become due earlier in time than otherwise required by the 2023 HRTF TIFIA Loan Agreement, it is possible

that the interests of bondholders could be impaired either immediately or over time, particularly if termination of Commission's active engagement in capital project programs is coupled with a reduction in the Commission's authority or the triggering of the Sunset Provision described in the foregoing section.

***Administrative Actions.*** HRTAC's ability to continue to fund its projects and its ability to receive and effectively utilize HRTF Revenues depends on the continued cooperation of the CTB and VDOT. If the CTB does not cause VDOT to satisfy its obligations under its Standard Project Agreements or PAFA with HRTAC, if HRTAC does not continue to obtain funding under SMART SCALE or any successor statewide prioritization process for transportation projects, or if the CTB and the Commonwealth's Secretary of Transportation cause transportation projects in Hampton Roads to be constructed without HRTAC's involvement and assistance, HRTAC might not continue to effectively function as the recipient of HRTF Revenues and as a key funding source of transportation projects in Hampton Roads. If HRTAC is unable to complete needed projects, it may lose political support and thereafter lose control of HRTF Revenues, impeding HRTAC's ability to make timely payments of debt service on the Series 2024A Bonds.

In addition, HRTAC is entirely dependent on the Virginia Department of Taxation and other state agencies to collect and deposit in the HRTF the Additional Sales and Use Tax revenues and the Additional Motor Vehicle Fuels Tax revenues and to timely transfer them to HRTAC. Failure or delay in this regard might also impede HRTAC's ability to make timely payments of debt service on the Series 2024A Bonds.

### **Risk of Future Legislative or Court Decisions Affecting Tax-Exempt Obligations**

Legislation affecting tax-exempt obligations is frequently considered by the United States Congress and may also be considered by the Virginia General Assembly. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Series 2024A Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Series 2024A Bonds will not have an adverse effect on the tax status of the interest on the Series 2024A Bonds or the market value or marketability of the Series 2024A Bonds. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or repeal (or reduction in the benefit) of the exclusion of interest on the Series 2024A Bonds from gross income for federal or state income tax purposes for all or certain taxpayers.

Additionally, investors in the Series 2024A Bonds should be aware that future legislative actions (including federal income tax reform) may retroactively change the treatment of all or a portion of the interest on the Series 2024A Bonds for federal income tax purposes for all or certain taxpayers. In all such events, the market value of the Series 2024A Bonds may be affected and the ability of holders to sell their Series 2024A Bonds in the secondary market may be reduced. The Series 2024A Bonds are not subject to special mandatory redemption, and the interest rates on the Series 2024A Bonds are not subject to adjustment, in the event of any such change in the tax treatment of interest on the Series 2024A Bonds.

### **No Assurance of Funds Under 2023 HRTF TIFIA Loan Agreement**

It is anticipated that the Series 2023A Notes will be paid at their maturity from a disbursement made to HRTAC under the 2023 HRTF TIFIA Loan Agreement. There are numerous conditions that must be satisfied by HRTAC in connection with the requisitioning of moneys under the 2023 HRTF TIFIA Loan Agreement, including certain conditions relating to third parties, such as VDOT, over which HRTAC has no control. See "TIFIA LOAN AGREEMENTS – Disbursement Conditions." There can be no assurances that all such conditions to disbursement will be satisfied and thus no assurances that such funds will be available under the 2023 HRTF TIFIA Loan Agreement for HRTAC to reimburse itself for eligible project

costs or to pay the Series 2023A Notes. In addition, the TIFIA Lender may refuse to honor a requisition if, among other things, an event of default under the 2023 HRTF TIFIA Loan Agreement or certain other material contracts has occurred and is continuing, or if HRTAC or certain other parties are not in compliance with federal law or their obligations under certain material contracts. If HRTAC does not meet the conditions for disbursement of moneys under the 2023 HRTF TIFIA Loan Agreement, the Series 2023A Notes will need to be paid from the HRTAC Revenues, subject to the prior application of such funds to pay scheduled debt service on Senior Bonds, or from proceeds of Additional Bonds issued under the Master Indenture. No assurance can be given that HRTAC will be able to pay such debt service from the HRTAC Revenues, or access the credit markets for the issuance of Additional Bonds, in the event it cannot requisition moneys under the 2023 HRTF TIFIA Loan Agreement, which could negatively impact HRTAC's funding plans.

### **HRTF Transfers to Support Toll Financing**

As described above, HRTF Revenues, to the extent available in the General Fund, are to be used to provide support for the TIFIA Series 2021 Toll Bond issued under the Master Toll Indenture. Should toll revenues under the Express Lanes Network produce less net toll revenue than is expected, HRTF Transfers may be required under the terms of the Master Toll Indenture and the TIFIA Series Supplement. Although such HRTF Transfers are to be made from available amounts in the General Fund, to the extent of any such HRTF Transfers, there would be a corresponding decrease in amounts in the General Fund that otherwise would be available to make up deficiencies in the Debt Service Funds established under the Indenture or that would be used to make PayGo project expenditures.

### **Forward-Looking Statements and Forecasts**

The statements contained in this Official Statement, and in other information provided by HRTAC, that are not purely historical, including statements regarding HRTAC's expectations regarding the collection and timing of future HRTF Revenues as discussed earlier in this Official Statement, are forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to HRTAC as of the date hereof, and HRTAC assumes no obligation to update any such forward-looking statements, other than as set out in the Continuing Disclosure Undertaking, the form of which is attached hereto as Appendix C.

The forward-looking statements herein are based on various assumptions, forecasts and estimates that are inherently subject to numerous risks and uncertainties, including the possible invalidity of underlying assumptions, forecasts and estimates, possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions, and actions taken or not taken by third parties and legislative, judicial and other governmental authorities and officials. In addition, these assumptions, forecasts and estimates involve judgments regarding, among other things, future economic conditions, future actions by third parties and future events and decisions, all of which are difficult, if not impossible, to predict accurately. There can be no assurance that the forward-looking statements in this Official Statement will prove to be accurate.

No representation is made or intended, nor should any representation be inferred, with respect to the likely existence of any particular future set of facts or circumstances, and prospective purchasers of the Series 2024A Bonds are cautioned not to place undue reliance upon any projections contained in this Official Statement. If actual results are less favorable than the results projected or if the assumptions used in preparing the projections prove to be incorrect, HRTAC's ability to make timely payment of the principal of and interest on the Series 2024A Bonds may be materially and adversely affected.

## **Enforceability of Rights and Remedies, Including Bankruptcy Ramifications**

***Effects of Bankruptcy on Rights and Remedies.*** The rights and remedies available to the owners of the Series 2024A Bonds may be subject to the provisions of the United States Bankruptcy Code (the “Bankruptcy Code”), to other bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditor’s rights generally and equitable principles that may limit enforcement of such remedies. Under existing constitutional and statutory law and judicial decisions, including specifically the Bankruptcy Code, the remedies provided in the Master Indenture may not be readily available or may be limited. No assurances can be given that a court or regulatory agency would enforce the rights or types of remedies available under the Master Indenture, including any rights and remedies with respect to the pledge of HRTF Revenues.

The various legal opinions to be delivered concurrently with the delivery of the Series 2024A Bonds, including the opinion of Bond Counsel, will be qualified as to the enforceability of these rights and remedies, for example, by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by principles of equity.

***Bankruptcy Filing by HRTAC.*** Under the Bankruptcy Code and current Virginia law, the Commission may not file for bankruptcy protection under Chapter 9 of the Bankruptcy Code (“Chapter 9”) and no creditor or judgment holder of the Commission may file a Chapter 9 petition on behalf of the Commission. Pursuant to Section 109(c)(2) of the Bankruptcy Code, a political subdivision or public agency or instrumentality of a state must be specifically authorized by state law before it may file for bankruptcy protection. Currently, there is no Virginia statute that prescribes, authorizes or otherwise contains authorization for a political subdivision such as the Commission to file for Chapter 9 protection, or delegates such authority to any governmental officer or organization. There can be no assurance, however, that the Bankruptcy Code or Virginia law will not be amended in the future to permit the Commission to file for bankruptcy protection, and such a filing could, under certain circumstances, subject all or a portion of the HRTF Revenues to the jurisdiction of the bankruptcy court. Potential purchasers of the Series 2024A Bonds should consult their own attorneys and advisors in assessing the risk and the likelihood of recovery in the event the Commission becomes a debtor in a bankruptcy proceeding. When an entity is in bankruptcy, its creditors (including Bondholders) may be prohibited from acting to collect from or to enforce obligations of the debtor entity without permission of the bankruptcy court; therefore, the Commission may be prevented from making payments to the Bondholders from funds in its possession. These restrictions may result in delays or reductions in payments on the Series 2024A Bonds. Should the Commission become the debtor in a bankruptcy case, the holders of the Series 2024A Bonds will not have a lien on HRTAC Revenues received by the Commission after the commencement of the bankruptcy case unless the bankruptcy court determines that such HRTAC Revenues constitute “Special Revenues” within the meaning of the Bankruptcy Code. “Special Revenues” are defined to include, among other things, receipts from the ownership, operation, or disposition of projects or systems that are primarily used or intended to be used primarily to provide transportation, utility or other services, as well as other revenues or receipts derived from functions of the debtor. Although the Commission believes that HRTAC Revenues should be treated as “Special Revenues,” no assurance can be given that a bankruptcy court would agree with such characterization. Further, even if the HRTAC Revenues are treated as “Special Revenues,” no assurance can be provided that a bankruptcy court would allow Bondholders to compel payments on the Series 2024A Bonds from such “Special Revenues.” In any case, there could be delays or reductions in payments on the Series 2024A Bonds or losses to Bondholders. Regardless of any specific adverse determinations in any bankruptcy proceeding involving the Commission, the mere existence of such a bankruptcy proceeding would have an adverse effect on the liquidity and value of the Series 2024A Bonds.

***Judicial Discretion.*** Upon a default under the Master Indenture, the remedies available to the Trustee may depend upon judicial actions that may be subject to substantial discretion and delay. Some of these remedies may be found unenforceable. The rights of the owners of the Series 2024A Bonds and the enforceability of HRTAC's obligations will be subject to the exercise of judicial discretion under a variety of circumstances. The enforceability of governmental obligations is also subject to constitutional, statutory and public policy limitations and to other considerations that do not limit enforcement of obligations of private parties.

## **Market Liquidity**

The Series 2024A Bonds constitute a new issue. No assurance can be given as to the development or liquidity of any market for the Series 2024A Bonds. If an active public market does not develop, the market price and liquidity of the Series 2024A Bonds may be adversely affected.

## **Economic Conditions Affecting the HRTF**

The availability of HRTF Revenues from the HRTF is dependent on uncontrollable economic factors. The revenues received from the Additional Sales and Use Tax and the Additional Motor Vehicle Fuels Tax tend to fluctuate significantly based on economic variables, including, but not limited to, the condition of the economies of the Member Localities in which such taxes are collected, the Commonwealth and the United States, economic growth or recessions, population growth, income and employment levels, levels of tourism, public health conditions, weather conditions, fuel prices, road conditions, and the availability of alternate modes of transportation. HRTAC's revenues and purposes may be further generally affected by those factors, as well as by trends or changes in housing and business concentrations, the opinions and sensitivities of area residents, the costs and consequences of complying with federal regulations, and unintended effects of infrastructure development on urban growth patterns. Any of these economic or social factors could have a material adverse effect upon HRTAC's revenue and capital sources, including market disruptions in the financial sector and potential effects on the cost and duration of its funded projects in addition to the tax base upon which the HRTF relies. There can be no assurance that negative impacts attributable to economic factors will not materially adversely affect the availability of revenues in the HRTF and impede the ability of HRTAC to receive transfers from the HRTF. See Appendix D.

## **Risk Arising from Operating and Maintenance Burdens on Commonwealth**

The HRTAC Act does not permit HRTAC to include in its budget any funds to independently operate and maintain funded projects or to perform any transportation service; therefore, HRTAC has no control over the long-term impact of its spending on future obligations of the Commonwealth. This could result in future budgetary and political conditions that are difficult to predict, but may have a material adverse impact on HRTAC, the HRTF Revenues and HRTAC's ability over the long term to support debt service payments on the Senior Bonds.

## **Impact of Federal Budget Restraints and Federal Tax Policy**

Hampton Roads has been directly affected by federal budget restraints and sequestration, given the large impact of the military and government contracts on the Hampton Roads economy. It is uncertain whether such budget restraints will be reduced or increased, or whether other industries will provide adequate economic growth to make up for any reduction in spending resulting from federal budget restraints. See "Economic Profile" in Appendix D.

To the extent that federal funds for transportation projects cease to be provided to the Commonwealth or its political subdivisions, or that the federal government reduces funding to, restricts or eliminates the TIFIA credit assistance program, HRTAC will have difficulty carrying out its funding plans. If HRTAC is unable to complete needed projects, it may lose political support and thereafter lose control of HRTF Revenues, impeding HRTAC's ability to make timely payments of debt service on the Series 2024A Bonds.

Restraints under tax reform, such as limitations on the federal deduction for state and local tax payments, or limitations on the home mortgage interest deduction, could affect consumer behavior and policy priorities at the state and local level, having an adverse effect on the HRTF that cannot presently be quantified.

### **Infectious Disease Outbreaks**

The HRTF Revenues may be adversely impacted by national or regional outbreaks of highly contagious or epidemic diseases, such as what occurred with COVID-19. Such events may affect travel, commerce, business, and financial markets globally as well as in Hampton Roads. The COVID-19 pandemic adversely impacted HRTAC and the Hampton Roads area and similar public health emergencies may do so again in the future.

### **Hurricanes, Flooding, Sea-Level Rise and Other Natural Risks**

Planning District 23 is located in the Mid-Atlantic region of the east coast of the United States. The Mid-Atlantic region is an area that has in the past been periodically susceptible to damaging storms, storm surge, and flooding. The risk of hurricanes, tropical storms or other major weather events affecting the Member Localities and interrupting commerce and military activities within Hampton Roads is a material risk that could negatively affect the regional economy and the revenues available through the HRTF to pay debt service on the Series 2024A Bonds and could directly impact or damage Commission-funded facilities. Further, storm and flooding-related risks are likely to intensify over time if scientific projections about climate change and sea-level rise are correct. In addition, the Member Localities are located within a seismic zone that has experienced earthquakes in the past 15 years, and there can be no assurance that Commission-funded projects would not be damaged in any future earthquakes.

### **Cybersecurity**

The Commission and the Commonwealth rely on computer networks to conduct their business. Such computer networks may be vulnerable to hackers or phishing attacks, or to breaches by employee error, negligence or malfeasance. Any such attacks or breaches could compromise the Commission's and/or the Commonwealth's computer systems and the information stored thereon. Any disruption or loss of information could result in a material adverse effect on the efficiency of the Commission's and/or the Commonwealth's work. The Commission and the Commonwealth maintain a security posture designed to deter cyber-attacks, but no assurances can be given that the Commission's and/or the Commonwealth's security measures will prevent cyber-attacks, and no assurances can be given that any cyber-attacks, if successful, will not have a material adverse effect on the operations or financial condition of the Commission or the Commonwealth's collection and administration and transfers of HRTF amounts.

## **Fluctuations in Fuel Prices and Fuel Usage May Adversely Affect Additional Motor Vehicle Fuels Tax Revenues**

The availability of Additional Motor Vehicle Fuels Tax revenue is dependent on several economic factors. The revenues received from the Additional Motor Vehicle Fuels Tax tend to fluctuate significantly based on economic variables, including, but not limited to, the condition of the economies of the Planning District 23 localities in which such tax is collected, the Commonwealth and the United States, economic growth or recessions, population growth, trends or changes in housing and business concentrations, income and employment levels, tele-commuting, vehicle fuel efficiency standards, levels of tourism, weather conditions, fuel prices, road conditions, geopolitical events, and the availability of alternate modes of transportation. There can be no assurance that negative impacts attributable to economic factors will not materially adversely affect the availability of Additional Motor Vehicle Fuels Tax and impede the ability of HRTAC to make timely payments on the Series 2024A Bonds.

## **General Assembly May Enact Exemptions to and Holidays from Taxes**

The Additional Sales and Use Tax applies to the same transactions and items that are subject to the statewide retail sales and use tax levied by the Commonwealth. In the past, the General Assembly has made changes to the transactions and items subject to the statewide retail sales and use tax. For example, in 1990, the General Assembly enacted legislation to exempt from the statewide retail sales and use tax all nonprescription drugs and proprietary medicines purchased for the cure, mitigation, treatment, or prevention of disease in human beings. There can be no assurance that further exemptions will not be granted.

The General Assembly has established certain sales tax holidays. A “sales tax holiday” is a temporary period during which purchases of certain items are exempt from retail sales and use taxes. Following legislation enacted by the 2007 session of the General Assembly, the Commonwealth had three annual sales tax holidays. During a seven-day period in May of each year, purchases of items designated by the Virginia Department of Taxation as hurricane preparedness equipment, including portable generators, were exempt from the statewide sales tax. Portable generators must have been priced at \$1,000 or less, and other eligible items must have been priced at \$60 or less for each item. During a three-day period in August of each year, purchases of certain school supplies, clothing and footwear were exempt from the statewide sales tax. Each eligible school supply item must have been priced at \$20 or less, and each eligible article of clothing and footwear must have been priced at \$100 or less. During a four-day period in October of each year, purchases of products meeting the Energy Star and WaterSense qualifications, such as certain energy-efficient appliances, were exempt from the statewide sales tax. Eligible products must have been priced at \$2,500 or less for each item, and have been purchased for noncommercial home or personal use. Although the prior provision for sales tax holidays expired on July 1, 2023, the 2023 Virginia General Assembly, pursuant to Chapter 1, 2023 Va. Acts of Assembly, provided the sales tax holidays shall remain in effect through July 1, 2025.

Each such exemption and holiday affects the application of the Additional Sales and Use Tax that benefits the HRTF. In the future, the General Assembly could further change the transactions and items upon which either the general or additional tax is imposed or add or remove sales tax holidays. The Additional Sales and Use tax revenues available to the HRTF could increase or decrease depending on the nature of the change.

In addition to sales tax exemptions and holidays, it is possible that the General Assembly could consider exemptions and holidays applicable to state and/or regional fuels taxes. The Additional Motor

Vehicle Fuels Tax could be affected by any such proposals, which could lead to a material adverse effect on the Commission's revenues.

### **Tax Revenues Could Be Eroded by Changes to Planning District 23**

The sources of taxable transactions generating revenues for the HRTF from the Additional Sales and Use Tax and the Additional Motor Vehicle Fuels Tax are limited geographically to Planning District 23. The mix of localities within Planning District 23, which currently include Isle of Wight, James City, Southampton, York, Chesapeake, Franklin, Hampton, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia Beach and Williamsburg, could be altered by administrative action of DHCD. Any such change could have a material adverse effect on the composition of the tax base for the Additional Sales and Use Tax and the Additional Motor Vehicle Fuels Tax, which could erode the revenues available to pay debt service on the Series 2024A Bonds.

### **No Right to Accelerate Debt Service**

The Master Indenture does not permit the Trustee or Owners, upon the occurrence of an Event of Default under the Master Indenture or for any other reason, to accelerate the maturity of any Bonds, including the Series 2024A Bonds, or the payment of principal of and interest due thereon. Owners will be able to collect principal and interest that become due after an Event of Default only from the HRTAC Revenues and any other funds pledged under the Master Indenture and only when such principal and interest are scheduled to be paid.

### **No Mortgage or Other Liens**

Payment of the principal of and interest on the Series 2024A Bonds is not secured by any deed of trust, mortgage or other lien on any of the Initial Financed Projects, the HRBT Expansion Project, the HRELN Project, any equipment or other tangible personal property of HRTAC or VDOT, or any property of the Member Localities.

### **Limitation on Remedies**

The remedies available to the Owners upon a default under the Master Indenture are in many respects dependent upon judicial action, which is often subject to discretion and delay under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the Bankruptcy Code. Although political subdivisions of the Commonwealth, including the Commission, are not currently authorized to seek relief under the provisions of Chapter 9 of the Federal Bankruptcy Code, the various legal opinions to be delivered concurrently with delivery of the Series 2024A Bonds will be qualified as to enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of credits generally, now or hereafter in effect; to usual equity principles which shall limit the specific enforcement under laws of the Commonwealth as to certain remedies; to the exercise by the United States of America of the powers delegated to it by the United States Constitution; and to the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the Commonwealth and its governmental bodies, in the interest of serving an important public purpose.

### **No Redemption of Bonds in the Event of Taxability**

The Series 2024A Bonds are not subject to redemption prior to maturity upon the occurrence of an event which has the effect of rendering interest on the Series 2024A Bonds includable in the gross income



of the owners of the Series 2024A Bonds for purposes of federal income taxation. No provision is made in the Master Indenture for any increase or other adjustment in the rate of interest payable on the Series 2024A Bonds in the event of such an occurrence.

## **CERTAIN LEGAL MATTERS**

Certain legal matters relating to the authorization and validity of the Series 2024A Bonds will be subject to the approving opinion of Kaufman & Canoles, a Professional Corporation, Richmond, Virginia, Bond Counsel, which will be furnished at the expense of the Commission upon delivery of the Series 2024A Bonds, in substantially the form set forth as Appendix F (the “Bond Opinion”). The Bond Opinion will be limited to matters relating to authorization and validity of the Series 2024A Bonds and to the tax status of interest thereon as described in the section “TAX MATTERS.” Bond Counsel has not been engaged to investigate the financial resources of the Commission or its ability to provide for payment of principal of, interest, or premium, if any, on the Series 2024A Bonds, and the Bond Opinion will make no statement as to such matters or as to the accuracy or completeness of this Official Statement or any other information that may have been relied on by anyone in making the decision to purchase the Series 2024A Bonds.

Certain legal matters will be passed upon for HRTAC by Willcox & Savage, P.C., Norfolk, Virginia, its general counsel, and Kaufman & Canoles, a Professional Corporation, Richmond, Virginia, as disclosure counsel, and for the Underwriters by their counsel, Butler Snow LLP, Richmond, Virginia.

## **TAX MATTERS**

### **Opinion of Bond Counsel**

In the opinion of Bond Counsel, under current law, interest on the Series 2024A Bonds (a) is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Tax Code”), and (b) is not a specific item of tax preference for purposes of the federal alternative minimum tax on individuals; however, such interest is included in the “adjusted financial statement income” (as defined in Section 56A of the Tax Code) of certain corporations that are subject to the alternative minimum tax imposed under Section 55 of the Tax Code. Interest on the Series 2024A Bonds is exempt from income taxation by the Commonwealth. No other opinion is expressed by Bond Counsel regarding the tax consequences of the ownership of or the receipt or accrual of interest on the Series 2024A Bonds.

The Bond Opinion will be given in reliance upon certifications by representatives of the Commission as to certain facts relevant to both the opinion and requirements of the Tax Code, and applicable regulations thereunder. The Bond Opinion is subject to the condition that there is compliance subsequent to the issuance of the Series 2024A Bonds with all requirements of the Tax Code that must be satisfied in order for interest thereon to remain excludable from gross income for federal income tax purposes. The Commission has covenanted to comply with the current provisions of the Tax Code regarding, among other matters, the use, expenditure and investment of the proceeds of the Series 2024A Bonds and the timely payment to the United States of any arbitrage rebate amounts with respect to the Series 2024A Bonds. Failure by the Commission to comply with such covenants, among other things, could cause interest on the Series 2024A Bonds to be included in gross income for federal income tax purposes retroactively to their date of issue.

## **Original Issue Discount**

The Series 2024A Bonds that have an original yield above their respective interest rates, as shown on the inside cover of this Official Statement (collectively, the “OID Bonds”), are being sold at an original issue discount. The difference between the initial public offering prices of such OID Bonds and their stated amounts to be paid at maturity constitutes original issue discount treated in the same manner for federal income tax purposes as interest, as described above.

The amount of original issue discount that is treated as having accrued with respect to a OID Bond is added to the cost basis of the owner of the bond in determining, for federal income tax purposes, gain or loss upon disposition of such OID Bond (including its sale, redemption or payment at maturity). Amounts received on disposition of such OID Bond that are attributable to accrued original issue discount will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual OID Bond, on days that are determined by reference to the maturity date of such OID Bond. The amount treated as original issue discount on such OID Bond for a particular semiannual accrual period is equal to (a) the product of (i) the yield to maturity for such OID Bond (determined by compounding at the close of each accrual period) and (ii) the amount that would have been the tax basis of such OID Bond at the beginning of the particular accrual period if held by the original purchaser, (b) less the amount of any interest payable for such OID Bond during the accrual period. The tax basis for purposes of the preceding sentence is determined by adding to the initial public offering price on such OID Bond the sum of the amounts that have been treated as original issue discount for such purposes during all prior periods. If such OID Bond is sold between semiannual compounding dates, original issue discount that would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Owners of OID Bonds should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date and with respect to the state and local tax consequences of owning a OID Bond. Subsequent purchasers of OID Bonds that purchase such bonds for a price that is higher or lower than the “adjusted issue price” of the bonds at the time of purchase should consult their tax advisors as to the effect on the accrual of original issue discount.

## **Original Issue Premium**

The Series 2024A Bonds that have an original yield below their respective interest rates, as shown on the inside cover of this Official Statement (collectively, the “Premium Bonds”), are being sold at a premium. An amount equal to the excess of the issue price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. A purchaser of a Premium Bond must amortize any premium over such Premium Bond’s term using constant yield principles, based on the purchaser’s yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, generally by amortizing the premium to the call date, based on the purchaser’s yield to the call date and giving effect to any call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period, and the purchaser’s basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser’s basis may be reduced, no federal income tax deduction is allowed.

Purchasers of the Premium Bonds should consult their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

### **Other Tax Matters**

Prospective purchasers of the Series 2024A Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including without limitation financial institutions, property and casualty insurance companies, S corporations, foreign corporations subject to the branch profits tax, recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Series 2024A Bonds should consult their tax advisors as to the applicability and impact of such consequences.

In addition, prospective purchasers should be aware that interest paid on, and the proceeds of the sale of, tax-exempt obligations, including the Series 2024A Bonds, are in many cases subject to information reporting in a manner similar to interest paid on taxable obligations. While this reporting requirement does not by itself affect the excludability of interest on the Series 2024A Bonds from gross income for federal income tax purposes, the reporting requirement causes the payment of interest on the Series 2024A Bonds to be subject to backup withholding if such interest is paid to beneficial owners who (i) are not “exempt recipients,” and (ii) fail to provide certain identifying information (such as the beneficial owner’s taxpayer identification number) in the required manner or have been identified by the Service as having failed to report all interest and dividends required to be shown on their income tax returns. Generally, individuals are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients. Amounts withheld under the backup withholding rules from a payment to a beneficial owner would be allowed as a refund or a credit against such beneficial owner’s federal income tax liability provided the required information is timely furnished to the Service.

The Internal Revenue Service (the “Service”) has a program to audit state and local government obligations to determine, as applicable, whether the interest thereon is includible in gross income for federal income tax purposes. If the Service does audit the Series 2024A Bonds, under current Service procedures, the Service will treat the Commission as the taxpayer and the owners of the Series 2024A Bonds will have only limited rights, if any, to participate.

Prospective purchasers of the Series 2024A Bonds should consult their own tax advisors as to the status of interest on the Series 2024A Bonds under the tax laws of any state other than the Commonwealth.

The Bond Opinion represents Bond Counsel’s legal judgment based in part upon the representations and covenants referenced therein and its review of existing law, but are not a guarantee of results or binding on the Service or the courts. Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances that may come to Bond Counsel’s attention after the date of its opinion or to reflect any changes in law or the interpretation thereof that may occur or become effective after such date.

### **Future Events and Legislative and Regulatory Actions**

There are many events that could affect the value and liquidity or marketability of the Series 2024A Bonds after their issuance, including but not limited to public knowledge of an audit of the Series 2024A Bonds by the Service, a general change in interest rates for comparable securities, a change in federal or state income tax rates, legislative or regulatory proposals affecting state and local government securities and changes in judicial interpretation of existing law. Legislation affecting tax-exempt obligations is

considered by the U.S. Congress and various state legislatures. Such legislation may effect changes in federal or state income tax rates and the application of federal or state income tax laws (including the substitution of another type of tax), or may repeal or reduce the benefit of the excludability of interest on the tax-exempt obligations from gross income for federal or state income tax purposes.

The U.S. Treasury Department and the IRS are continuously drafting regulations to interpret and apply the provisions of the Tax Code and court proceedings may be filed the outcome of which could modify the federal or state tax treatment of tax-exempt obligations.

There can be no assurance that legislation proposed or enacted after the date of issue of the Series 2024A Bonds, regulatory interpretation of the Tax Code or actions by a court involving either the Series 2024A Bonds or other tax-exempt obligations will not have an adverse effect on the Series 2024A Bonds' federal or state tax status, marketability or market price or on the economic value of the tax-exempt status of the interest on the Series 2024A Bonds. Neither the Bond Opinion nor this Official Statement purports to address the likelihood or effect of any such future events or legislative and regulatory actions, and purchasers of the Series 2024A Bonds should seek advice concerning such matters as they deem prudent in connection with their purchase of Series 2024A Bonds.

## **LITIGATION**

There is no litigation of any kind now pending or, to the best of its information, knowledge and belief, threatened against the Commission to restrain or enjoin the issuance or delivery of the Series 2024A Bonds or the collection and application of HRTAC Revenues under the Master Indenture, or in any manner contesting or affecting the validity of the Series 2024A Bonds, any proceeding of HRTAC taken with respect to their issuance, authentication or sale, or any appropriation of funds to pay debt service on the Series 2024A Bonds.

The Commission, along with the City of Norfolk, Virginia, VDOT, and a private party, is named a defendant in a *pro se* action filed in the United States District Court for the Eastern District of Virginia regarding an alleged injury to or taking of certain real property and other miscellaneous claims. Each defendant has filed a responsive pleading to dismiss the action. The court has not ruled on the responsive pleadings nor scheduled a hearing thereon. It is the opinion of the Commission, where it is possible to estimate, that the claims are without merit and the resolution of such litigation will not involve a substantial liability for the Commission or materially affect its financial position.

## **RATINGS**

Moody's Investor Service ("Moody's") and S&P Global Ratings ("S&P") have given the Series 2024A Bonds the ratings of "Aa1" and "AA," respectively. The Commission requested that the Series 2024A Bonds be rated and furnished certain information to Moody's and S&P, including certain information that may not be included in this Official Statement.

Reference should be made to the individual rating agency for a more complete description of the meaning of the rating assigned by such rating agency. These ratings are not a recommendation to buy, sell or hold the Series 2024A Bonds. The ratings are subject to review and change or withdrawal at any time if, in the judgment of the respective rating agency, circumstances so warrant. There is no assurance that any such ratings will continue for any period of time or that any such rating will not be revised or withdrawn.

A downward revision or withdrawal of a rating may have an adverse effect on the market price of the Series 2024A Bonds.

## **FINANCIAL STATEMENTS**

The audited financial statements of the Commission for the Fiscal Year ended June 30, 2024 are included in Appendix B. The Commission's financial statements are prepared in accordance with generally accepted accounting principles and audited annually in accordance with government auditing standards. The Commission's independent auditor, PBMares, LLP, has not been engaged to perform and has not performed since the date of its report included in Appendix B any procedures on the financial statements addressed in that report. Such auditor also has not performed any procedures relating to this Official Statement.

## **FINANCIAL ADVISOR**

The Commission has retained PFM Financial Advisors LLC, Orlando, Florida, as financial advisor (the "Financial Advisor") in connection with the issuance of the Series 2024A Bonds. Although the Financial Advisor assisted in the review of this Official Statement, the Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The Financial Advisor is a financial advisory, investment management and consulting organization and is not engaged in the business of underwriting municipal securities.

## **RELATIONSHIP OF PARTIES**

Kaufman & Canoles, a Professional Corporation, Richmond, Virginia, Bond Counsel, from time to time represents one or more of the Underwriters or the Trustee in matters unrelated to the Series 2024A Bonds or one or more of the Member Localities in matters unrelated to HRTAC. Butler Snow LLP, counsel to the Underwriters, from time to time represents the Trustee in matters unrelated to the Series 2024A Bonds or one or more of the Member Localities in matters unrelated to HRTAC.

## **UNDERWRITING**

The Series 2024A Bonds are being purchased by the Underwriters pursuant to a Bond Purchase Agreement (the "Bond Purchase Agreement") between HRTAC and BofA Securities, Inc., as representative of the Underwriters (collectively, the "Underwriters"). The Bond Purchase Agreement sets forth the obligation of the Underwriters to purchase the Series 2024A Bonds at an aggregate purchase price of \$\_\_\_\_\_ (representing the sum of the \$\_\_\_\_\_ par amount of the Series 2024A Bonds, [plus] [less] original issue [premium] [discount] of \$\_\_\_\_\_, less an underwriting discount of \$\_\_\_\_\_ on such Series 2024A Bonds) and is subject to certain terms and conditions, including the approval of certain legal matters by counsel. The Bond Purchase Agreement provides that the Underwriters will purchase all of the Series 2024A Bonds if any are purchased. The Underwriters may offer and sell the Series 2024A Bonds to certain dealers (including dealers depositing the Series 2024A Bonds into investment trusts) and others at prices different from the public offering prices stated on the cover page of this Official Statement. The public offering prices may be changed from time to time at the discretion of the Underwriters.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. In the course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively traded securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the Commission (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the Commission. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

BofA Securities, Inc. (“BofA Securities”), as an Underwriter of the Series 2024A Bonds, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated (“MLPF&S”). As part of this arrangement, BofA Securities may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, BofA Securities may compensate MLPF&S as a dealer for their selling efforts with respect to the Series 2024A Bonds.

J.P. Morgan Securities LLC (“JPMS”), one of the Underwriters of the Series 2024A Bonds, has entered into negotiated dealer agreements (each, a “Dealer Agreement”) with each of Charles Schwab & Co., Inc. (“CS&Co.”) and LPL Financial LLC (“LPL”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase Series 2024A Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series 2024A Bonds that such firm sells.

Academy Securities, Inc. has entered into third-party distribution agreements with Commonwealth Financial Network, R. Sealaus & Co., The GMS Group LLC, InspereX LLC, Mountainside Securities LLC, World Equity Group, Inc., CINCaP Investment Group LLC, National Securities Corp, Essex Securities LLC, Isaak Bond Investments, and Institutional Securities Corporation for the retail distribution of certain municipal securities at the original issue prices. Pursuant to these third-party distribution agreements, Academy Securities, Inc. may share a portion of its underwriting compensation with these firms.

## **CONTINUING DISCLOSURE**

To assist the underwriters in complying with the provisions of Securities and Exchange Commission Rule 15c2-12, as amended (the “Rule”), promulgated by the Securities and Exchange Commission, HRTAC will execute a Continuing Disclosure Undertaking (the “Disclosure Undertaking”) at closing pursuant to which the Commission will agree to provide certain annual financial information and material event notices required by the Rule. Such information will be filed through EMMA maintained by the Municipal Securities Rulemaking Board and may be accessed through the Internet at [emma.mrsb.org](http://emma.mrsb.org). As described in Appendix C, the Disclosure Undertaking requires the Commission to provide only limited information at specific times, and the information provided may not be all the information necessary to value the Series 2024A Bonds at any particular time. The Commission may from time to time disclose certain information and data in addition to that required by the Disclosure Undertaking. If the Commission

chooses to provide any additional information, the Commission will have no obligation to continue to update such information or to include it in any future disclosure filing.

There have been no instances in the previous five years in which the Commission has failed to comply, in all material respects, with any of its previous continuing disclosure undertakings.

Failure by the Commission to comply with the Disclosure Undertaking is not an event of default under the Series 2024A Bonds or the Master Indenture. The sole remedy for a default under the Disclosure Undertaking is to bring an action for specific performance of the Commission's covenants thereunder, and no assurance can be provided as to the outcome of any such proceeding.

### **APPROVAL OF PRELIMINARY OFFICIAL STATEMENT**

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not representations of fact. No representation is made that any of the estimates will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the holder of the Series 2024A Bonds.

The attached Appendices are an integral part of this Official Statement and must be read together with the balance of this Preliminary Official Statement.

The distribution of this Preliminary Official Statement has been duly authorized by the Commission. For purposes of compliance with the Rule, this Preliminary Official Statement constitutes an official statement of the Commission that has been deemed final by the Commission as of its date except for the omission of certain pricing and other information as permitted by the Rule.

**HAMPTON ROADS TRANSPORTATION  
ACCOUNTABILITY COMMISSION**

By: \_\_\_\_\_  
Chair



## **APPENDIX A**

### **DEFINITIONS AND SUMMARIES OF THE MASTER INDENTURE AND THE 2024A SERIES SUPPLEMENT**

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## **DEFINITIONS AND SUMMARIES OF THE MASTER INDENTURE AND THE 2024A SERIES SUPPLEMENT**

Set forth below are definitions of certain terms contained in the Master Indenture or the 2024A Series Supplement, followed by summaries of certain provisions of the Master Indenture and the 2024A Series Supplement. The descriptions do not purport to be comprehensive or definitive and are qualified in their entirety by reference to the Master Indenture and the 2024A Series Supplement, copies of which can be obtained from HRTAC or the Trustee. The headings below have been added for ease of reference only.

### **DEFINITIONS OF CERTAIN TERMS**

In addition to the terms previously defined in this Official Statement, the following words used in this Appendix A will have the following meanings unless a different meaning clearly appears from the context:

**“2024A Bond Debt Service Fund”** means the Bond Debt Service Fund Related to the Series 2024A Bonds established pursuant to the Master Indenture and the 2024A Series Supplement.

**“2024A Cost of Issuance Fund”** means the Cost of Issuance Fund Related to the Series 2024A Bonds established pursuant to the Master Indenture and the 2024A Series Supplement.

**“2024A Bonds”** means the Series of Senior Bonds authorized to be issued under the 2024A Series Supplement.

**“2024A Project Fund”** means the Project Fund Related to the Series 2024A Bonds established pursuant to the Master Indenture and the 2024A Series Supplement.

**“2024A Rebate Fund”** means the Rebate Fund Related to the Series 2024A Bonds established pursuant to the Master Indenture and the 2024A Series Supplement.

**“2024A Series Supplement” or “Eleventh Series Supplement”** means the Eleventh Supplemental Series Indenture of Trust to be dated as of October 1, 2024, between HRTAC and the Trustee, being a Series Supplement with respect to the Series 2024A Bonds pursuant to the provisions of the Master Indenture.

**“2024A Tax Regulatory Agreement”** means the Tax Certificate and Regulatory Agreement made by HRTAC for the benefit of the Trustee and the Owners of the Series 2024A Bonds.

**“Account”** means any account established in a Fund with respect to a Related Series of Bonds or otherwise pursuant to the terms of the Master Indenture or any Supplemental Indenture.

**“Accreted Amount”** means with respect to Capital Appreciation Bonds of any Series, the amount set forth in the Related Series Supplement as the amount representing the initial public offering price plus the accreted and compounded interest on such Bonds as of any point in time.

**“Agency Obligations”** means senior debt obligations of U.S. government-sponsored agencies, corporations, and enterprises that are not backed by the full faith and credit of the U.S. government, including, but not limited to, Federal Home Loan Mortgage Corporation debt obligations, Farm Credit System consolidated system wide bonds and notes, Federal Home Loan Banks consolidated debt obligations, Federal National Mortgage Association debt obligations, Student Loan Marketing Association debt obligations, Tennessee Valley Authority debt obligations, Resolution Funding Corporation debt obligations (including principal and interest strips), and U.S. Agency for International Development guaranteed notes (including stripped securities).

**“Amortization Requirement”** as applied to any Term Bonds of any maturity for any Bond Year, means the principal amount or amounts fixed by, or computed in accordance with the terms of, the Related Series Supplement

for the retirement of such Term Bonds by mandatory purchase or redemption on the Principal Payment Date or Dates established by such Related Series Supplement.

**“Annual Budget”** means the administrative and operating expense budget of HRTAC for any Fiscal Year as adopted by HRTAC in accordance with the HRTAC Act, as such budget may be amended from time to time throughout such Fiscal Year.

**“Assumed Debt Service”** means for any Fiscal Year the aggregate amount of principal and interest that would be payable on all Bonds if each Excluded Principal Payment were amortized on a substantially level debt service basis or other amortization schedule provided by HRTAC for a period commencing on the date of calculation of such Assumed Debt Service and ending on the earlier of (i) the date specified by HRTAC or (ii) 30 years from the date of calculation, such Assumed Debt Service to be calculated on a level debt service basis or other amortization schedule provided by HRTAC, based on a fixed interest rate equal to the rate at which HRTAC could borrow for such period, as expressed in an Officer’s Certificate (which shall be based upon the opinion of HRTAC’s financial advisor or of a third party consultant reasonably acceptable to the Trustee).

**“Bankruptcy Law”** means Title 11 of the United States Code, as it is amended from time to time and any successor to or replacement of such Title and any other applicable federal or state bankruptcy, insolvency or other similar law.

**“Bond”** or **“Bonds”** means any or all of the bonds that HRTAC may issue under the Virginia Code and pursuant to Article V of the Master Indenture, including any Senior Bonds, any Intermediate Lien Obligations, or any Subordinate Obligations.

**“Bond Counsel”** means (i) Kaufman & Canoles, a Professional Corporation, or (ii) other counsel selected by HRTAC which is nationally recognized as experienced in matters relating to obligations issued or incurred by states and their political subdivisions.

**“Bond Credit Facility”** means a line of credit, letter of credit, standby bond purchase agreement, municipal bond insurance or similar credit enhancement or liquidity facility established to provide credit or liquidity support for all or any portion of a Series of Bonds as provided in the Related Series Supplement.

**“Bond Credit Provider”** means, as to all or any portion of a Series of Bonds, the Person providing a Bond Credit Facility, as designated in the Related Series Supplement in respect of such Series of Bonds.

**“Bond Year”** means each twelve month period beginning on July 1 and ending on June 30, or such other twelve-month period as may be selected by the Commission and approved by Bond Counsel with respect to any Series of Bonds.

**“Business Day”** means any day on which commercial banking institutions generally are open for business in New York and the Commonwealth.

**“Capital Appreciation Bonds”** means a Series of Bonds the interest on which is compounded and accumulated at the rates and on the dates set forth in the Related Series Supplement and is payable upon redemption or on the maturity date of such Series of Bonds.

**“Commonwealth”** means the Commonwealth of Virginia.

**“Convertible Capital Appreciation Bonds”** means a Series of Capital Appreciation Bonds having a conversion date after which such Bonds become Current Interest Bonds.

**“Cost of Issuance Fund”** means the Cost of Issuance Fund established with respect to a Series of Bonds as provided in the Master Indenture.

**“Current Interest Bonds”** means a Series of Bonds the interest on which is payable currently on the Interest Payment Dates provided therefor in the Related Series Supplement.

**“Custodian”** means a bank or trust company that is (i) organized and existing under the laws of the United States or any of its states and (ii) selected by HRTAC and reasonably acceptable to the Trustee.

**“Debt Service Fund”** means a Senior Debt Service Fund, an Intermediate Lien Debt Service Fund, and/or a Subordinate Debt Service Fund established with respect to any Series of Bonds issued under the Master Indenture.

**“Debt Service Reserve Fund”** means, as the context requires, a Senior Debt Service Reserve Fund, an Intermediate Lien Debt Service Reserve Fund, and/or a Subordinate Debt Service Reserve Fund established with respect to any Series of Bonds issued under the Master Indenture.

**“Defeasance Obligations”** means noncallable (i) Agency Obligations, (ii) Government Obligations, (iii) Government Certificates, (iv) Defeased Municipal Obligations, and (v) Defeased Municipal Obligation Certificates.

**“Defeased Municipal Obligation Certificates”** means evidence of ownership of a proportionate interest in specified Defeased Municipal Obligations, which Defeased Municipal Obligations are held by a Custodian.

**“Defeased Municipal Obligations”** means obligations of the Commonwealth or any county, city, town, district, authority, agency, political subdivision or other public body of the Commonwealth that are rated in the highest rating category by any Rating Agency and provision for the payment of the principal of and redemption premium, if any, and interest on which has been made by the deposit with a trustee or escrow agent of Government Obligations or Government Certificates, the maturing principal of and interest on which, when due and payable, will along with any cash held by the trustee or escrow agent provide sufficient money to pay the principal of and redemption premium, if any, and interest on such obligations.

**“DSRF Credit Facility”** means a letter of credit, surety bond or similar credit enhancement facility acquired by HRTAC, from a financial institution (including, without limitation, any bank, trust company, insurance company, or broker-dealer) with a long term credit rating at the time of issuance of such facility in the third highest rating category or higher by any Rating Agency, to substitute for cash or investments required to be held in a Debt Service Reserve Fund for any Series of Bonds pursuant to the Related Series Supplement.

**“DSRF Credit Provider”** means the financial institution providing, and qualified under the definition of, a DSRF Credit Facility.

**“Escrow Fund”** means an escrow fund relating to a Series of Refunding Bonds that may be established pursuant to the Related Series Supplement and the Master Indenture.

**“Event of Default”** means any of the events enumerated in the subsection “Events of Default and Remedies Upon Default” below.

**“Excess Revenues”** means, following the occurrence of a Revenue Sharing Trigger Event and until such time as the Revenue Sharing Trigger Event ends, an amount in each month equal to 50% of the HRTAC Revenues -- remaining each month after the transfers described in paragraphs FIRST through TENTH under the heading “Revenue Fund and Flow of Funds – Revenue Fund” in this Appendix and paragraphs FIRST through FOURTH under the heading “Revenue Fund and Flow of Funds – General Fund” in this Appendix (in that order) have occurred.

**“Excluded Interest Payment”** means each payment of interest on obligations that HRTAC has specified in a Related Series Supplement or in an Officer’s Certificate to be payable from or secured by funds or revenues that do not constitute HRTAC Revenues, which may include, without limitation, (i) Toll Revenues, (ii) any grants from the Commonwealth or federal government, or any agency or instrumentality thereof, that have not been designated as HRTAC Revenues, or (iii) any other funds that have not been designated as HRTAC Revenues.

**“Excluded Principal Payment”** means each payment of Principal on obligations that HRTAC has specified in a Related Series Supplement or in an Officer’s Certificate to be payable from or secured by funds or revenues that do not constitute HRTAC Revenues, which may include, without limitation, (i) Toll Revenues, (ii) any grants from the Commonwealth or federal government, or any agency or instrumentality thereof, that have not been designated as HRTAC Revenues, (iii) any proceeds of anticipated future borrowings, or (iv) any other funds that have not been designated as HRTAC Revenues.

**“Fiscal Year”** means the twelve-month period commencing on July 1 of one year and ending on June 30 of the following year.

**“Fund”** means any fund established pursuant to the terms of the Master Indenture or any Supplemental Indenture.

**“GAAP”** means generally accepted accounting principles, existing from time to time, as applicable to state and local governmental units.

**“General Fund”** means the General Fund established pursuant to the Master Indenture.

**“Government Certificates”** means certificates representing an ownership interest in United States Treasury bond principal at maturity or interest coupons for accrued periods, which bonds or coupons are held in the capacity of custodian by a Custodian that is independent of the seller of such certificates.

**“Government Obligations”** means direct obligations of, or obligations the payment of the principal of and interest on which is guaranteed by, the United States of America.

**“Hedge Agreement”** means, without limitation, (i) any contract known as or referred to or which performs the function of an interest rate swap agreement, currency swap agreement, forward payment conversion agreement, or futures contract; (ii) any contract providing for payments based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices; (iii) any contract to exchange cash flows or payments or series of payments; (iv) any type of contract called, or designed to perform the function of, interest rate floors, collars, or caps, options, puts, or calls, to hedge or minimize any type of financial risk, including, without limitation, payment, currency, rate, or other financial risk; and (v) any other type of contract or arrangement that HRTAC determines is to be used, or is intended to be used, to manage or reduce the cost of any Bonds, to convert any element of any Bonds from one form to another, to maximize or increase investment return, to minimize investment return risk, or to protect against any type of financial risk or uncertainty.

**“Hedge Payments”** means amounts payable by HRTAC pursuant to any Hedge Agreement, other than termination payments, fees, expenses, and indemnity payments.

**“Hedge Period”** means the period during which a Hedge Agreement is in effect and has not been terminated.

**“Hedge Receipts”** means amounts payable by any Swap Provider pursuant to a related Hedge Agreement, other than termination payments, fees, expenses, and indemnity payments.

**“Hedging Termination Obligations”** means the aggregate amount payable to the Hedging Banks (as defined in the TIFIA Loan Agreements) by HRTAC upon the early termination of all or a portion of the Hedging Agreements (as defined in the 2023 HRTF TIFIA Loan Agreement), net of all amounts payable to HRTAC by such Hedging Banks upon the early unwind of all or a portion of such Hedging Agreements. For the avoidance of doubt, all calculations of such amounts payable under the Hedging Agreements shall be made in accordance with the terms of the applicable Hedging Agreements.

**“HRTAC”** or **“Commission”** means the Hampton Roads Transportation Accountability Commission, a body politic and a political subdivision of the Commonwealth.

**“HRTAC Act”** means Chapter 26, Title 33.2 of the Virginia Code, as the same may be amended from time to time, and any successor statutes.

**“HRTAC Representative”** means (i) the Chair or Vice Chair of HRTAC, and (ii) any other commissioner, officer or employee of HRTAC authorized by resolution of HRTAC to perform the act or sign the document in question.

**“HRTAC Revenues”** means, in any period, (i) all of the HRTF Revenues received by HRTAC during such period, (ii) all earnings from the investment of moneys held in any Fund or Account that is pledged to the payment of any Bonds issued under the Master Indenture (other than any Rebate Fund or any Fund or Account that is established to hold the proceeds of a drawing on a Bond Credit Facility), and (iii) any and all other revenues available under the HRTAC Act that have been designated as HRTAC Revenues pursuant to a Supplemental Indenture, but shall not include Toll Revenues.

**“HRTF”** means the Hampton Roads Transportation Fund established pursuant to Section 33.2-2600 of the HRTAC Act.

**“HRTF Revenues”** means the revenues dedicated to the HRTF from the additional sales and use tax revenues described in Section 58.1-638.H.2 of the Virginia Code and the additional wholesale motor vehicle fuels sales tax revenues described in Section 58.1-2295.A.2 of the Virginia Code, together with any other funds that may be hereafter appropriated to the HRTF.

**“Interest Payment Date”** means any January 1 or July 1, as the case may be, or such other date or dates provided with respect to any Bond as may be designated in a Related Series Supplement.

**“Interest Requirement”** for any Interest Payment Date, as applied to all of the Current Interest Bonds or a portion thereof, means the total of the interest regularly scheduled to become due on such Bonds on such Interest Payment Date, subject to Section 5.4 (Modification of Certain Definitions) of the Master Indenture. Interest expense shall be excluded from the definition of Interest Requirement to the extent that (i) they constitute Excluded Interest Payments, or (ii) proceeds of any Bonds or other funds (including, without limitation, applicable Debt Service Funds and Debt Service Reserve Funds) are held by the Trustee, or are reasonably expected to be obtained from investment earnings thereon, to pay such interest. Unless HRTAC shall otherwise provide in a Supplemental Indenture, interest expense on Bond Credit Facilities drawn upon to purchase but not to retire Bonds, to the extent such interest exceeds the interest otherwise payable on such Bonds, shall not be included in the determination of an Interest Requirement.

**“Intermediate Lien Debt Service Fund”** means a Debt Service Fund established with respect to a Series of Intermediate Lien Obligations pursuant to the Master Indenture.

**“Intermediate Lien Debt Service Reserve Fund”** means a Debt Service Reserve Fund established with respect to one or more Series of Intermediate Lien Obligations pursuant to the Master Indenture.

**“Intermediate Lien Debt Service Reserve Requirement”** means an amount, required to be maintained in an Intermediate Lien Debt Service Reserve Fund established by the Series Supplement for any Intermediate Lien Obligations; provided, however, (1) to the extent specified in a Related Series Supplement or in an Officer’s Certificate in connection with the issuance of any additional Series of Intermediate Lien Obligations or any calculation of the Intermediate Lien Debt Service Reserve Requirement, HRTAC may hold any Intermediate Lien Debt Service Reserve Fund collectively with respect to all or multiple Series of Intermediate Lien Obligations; and (2) if any Intermediate Lien Debt Service Reserve Fund held collectively with respect to all or multiple Series of Intermediate Lien Obligations is determined as of the beginning of any Fiscal Year to be in an amount greater than the amount that would be derived by measuring the Intermediate Lien Debt Service Reserve Requirement separately for each Outstanding Series of Intermediate Lien Obligations, then such lesser derived amount shall be the Intermediate Lien Debt Service Reserve Requirement for such Fiscal Year.

**“Intermediate Lien Obligations”** means any Bonds issued under the Master Indenture and designated as being subordinate as to payment and security to the Senior Bonds but senior as to payment and security to the Subordinate Obligations.

**“Majority Owners”** means the Owners of greater than 50% of the aggregate principal amount of the Senior Bonds Outstanding.

**“Master Indenture”** means the Master Indenture of Trust dated as of February 1, 2018, between HRTAC and the Trustee, as the same may be modified, altered, amended and supplemented in accordance with its terms by one or more Series Supplements and other Supplemental Indentures.

**“Member Localities”** means, collectively, each county and city located in Planning District 23, established pursuant to Chapter 42, Title 15.2, of the Virginia Code, currently consisting of 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, and any other localities that may hereafter be added to HRTAC by amendment to the Virginia Code.

**“Officer’s Certificate”** means a certificate signed by an HRTAC Representative and filed with the Trustee, upon which the Trustee may conclusively rely.

**“Operating Expenses”** means any expenditure made or to be made by HRTAC that is properly categorized as an “expense” under GAAP, including, without limitation, the administrative expenses of HRTAC, but shall exclude expenses related to the payment of debt service on any Bonds, capital expenditures for Projects, or expenses for the operation or maintenance of any Project.

**“Operating Fund”** means the Operating Fund established pursuant to the Master Indenture, in which there is established an Operating Account and an Operating Reserve Account.

**“Operating Reserve Requirement”** means an amount not to exceed 110% of the aggregate amount of Operating Expense provided for in the Annual Budget in effect as of the applicable measurement date.

**“Opinion”** or **“Opinion of Counsel”** means a written opinion of any attorney or firm of attorneys, who or which may be Bond Counsel or counsel for HRTAC or the Trustee.

**“Optional Tender Bonds”** means any Series of Bonds issued under the Master Indenture a feature of which is an option on the part of the Owners of such Bonds to tender to HRTAC, or to the Trustee, any Paying Agent or other fiduciary for such Owners, or to an agent of any of the foregoing, all or a portion of such Bonds for payment or purchase.

**“Outstanding”** when used in reference to the Bonds and as of a particular date, means all Bonds issued, authenticated and delivered under the Master Indenture except:

- (a) Any Bond canceled or required to be canceled by the Trustee at or before such date;
- (b) Any Bond in lieu of or in substitution for which another Bond shall have been issued, authenticated and delivered under the Master Indenture;
- (c) Any Bond deemed paid under Article XII of the Master Indenture except that any such Bond shall be considered Outstanding until its maturity or redemption date only for the purpose of actually being paid and for purposes of Articles III and IV and Section 6.1 of the Master Indenture (or the corresponding provisions of the Related Series Supplement, as the case may be); and
- (d) Any Bond not deemed Outstanding under, but only to the extent provided for in, Section 15.2 of the Master Indenture.



**“Owner”** means the registered owner of any Bond.

**“Paying Agent”** means any national banking association, state bank, bank and trust company or trust company appointed by HRTAC to fulfill the duties of a “paying agent” for the Bonds or any portion thereof as commonly understood in the municipal bond market and meeting the qualifications of, and subject to the obligations of, the Trustee in the Master Indenture. Unless otherwise provided in a Supplemental Indenture, the Trustee shall be the Paying Agent.

**“Payment Date”** means a date that is an Interest Payment Date or a Principal Payment Date or both.

**“Person”** means an individual, a corporation, a limited liability company, a partnership, an association, a joint stock company, a trust, any unincorporated organization or a government or political subdivision thereof.

**“Pledged Revenues”** means the HRTAC Revenues and all other property of any kind mortgaged, pledged or hypothecated to provide for the payment of or to secure the Bonds by HRTAC or by anyone on its behalf and with its written consent at any time as and for additional security under the Master Indenture and the Series Supplements.

**“Principal”** or **“principal”** means (i) with respect to a Capital Appreciation Bond, the Accreted Amount thereof (the difference between the stated amount to be paid at maturity and the Accreted Amount being deemed unpaid interest) except when used in connection with the authorization and issuance of Bonds and with the order of priority of payments of Bonds after an Event of Default in which case “principal” means the initial public offering price of the Capital Appreciation Bond (the difference between the Accreted Amount and the initial public offering price being deemed interest) and (ii) with respect to the principal amount of any Current Interest Bond, the principal amount of such Bond payable in satisfaction of an Amortization Requirement, if applicable, or at maturity.

**“Principal and Interest Requirements”** for any Payment Date or for any period means the sum of the Principal Requirements and the Interest Requirements for such date or such period, respectively.

**“Principal Payment Date”** means any July 1 upon which the principal amount of any Bond is stated to mature or upon which the principal of any Term Bond is subject to redemption in satisfaction of an Amortization Requirement, or such other date or dates with respect to any Bond as may be provided by a Related Series Supplement.

**“Principal Requirement”** means for any Principal Payment Date, as applied to all Bonds or a portion thereof, the total of the principal regularly scheduled to become due on such Principal Payment Date, subject to Section 5.4 (Modification of Certain Definitions) of the Master Indenture. Principal payments shall be excluded from the definition of Principal Requirement to the extent that (i) they constitute Excluded Principal Payments, or (ii) proceeds of any Bonds or other funds are held by the Trustee to pay such Principal.

**“Project”** means any transportation facility or project that HRTAC may finance or refinance pursuant to the Virginia Code.

**“Project Fund”** means the Project Fund to be established with respect to a Series of Bonds as provided in the Master Indenture.

**“Purchase Price”** means the purchase price established in any Series Supplement for Optional Tender Bonds as the purchase price to be paid for such Bonds upon an optional or mandatory tender of all or a portion of such Bonds.

**“Rating Agency”** means, with respect to any Bonds Outstanding, any nationally recognized credit rating agency if and for so long as such rating agency, at the request of HRTAC, maintains a rating on such Bonds.

**“Rating Confirmation”** means written evidence that no rating that has been requested by HRTAC and is then in effect from a Rating Agency with respect to a Series of Bonds will be withdrawn, reduced, or suspended solely as a result of an action to be taken under the Master Indenture.

**“Rebate Amount”** means the liability of HRTAC under Section 148 of the Tax Code (including any “yield reduction payments”) with respect to any Series of Bonds as may be calculated or specified (including with such reserves or error margin as HRTAC may deem appropriate) in accordance with a Related Series Supplement, a Related Tax Regulatory Agreement, or an Officer’s Certificate.

**“Rebate Fund”** means the Rebate Fund to be established with respect to a Series of Bonds as provided in the Master Indenture.

**“Refunding Bonds”** shall have the meaning set forth in the subsection “Issuance of Bonds” below.

**“Reimbursement Accounts”** means any Reimbursement Account that may be established within a Related Debt Service Fund by a Related Series Supplement and pursuant to Section 7.2 of the Master Indenture.

**“Reimbursement Obligations”** means any reimbursement obligations of HRTAC for principal and interest drawings on any Bond Credit Facility or DSRF Credit Facility with respect to which moneys in a Debt Service Fund, or Reimbursement Account thereof, are pledged or payable pursuant to the provisions of the Master Indenture or any Series Supplement.

**“Related”** means (i) when used with respect to any Fund, Account or Series of Bonds, the Fund, Account or Series of Bonds so authorized, designated and established by the Master Indenture and the Series Supplement authorizing a particular Series of Bonds, (ii) when used with respect to a Series Supplement, Tax Regulatory Agreement or other document contemplated hereunder, such document authorizing or related to a particular Series of Bonds, or Supplemental Indenture related thereto and (iii) when used with respect to a Bond Credit Facility, DSRF Credit Facility or Reimbursement Obligation, the Bond Credit Facility or DSRF Credit Facility securing a particular Series of Bonds and the Reimbursement Obligation entered into in connection therewith.

**“Reserve Determination Date”** means (i) the tenth day after each Interest Payment Date, or, if such day is not a Business Day, on the first Business Day thereafter or (ii) any other date set forth in a Series Supplement or an Officer’s Certificate for the valuation of a Debt Service Reserve Fund.

**“Reserve Requirement”** means, as the context requires, the Senior Debt Service Reserve Requirement, the Intermediate Lien Debt Service Reserve Requirement, and/or the Subordinate Debt Service Reserve Requirement.

**“Revenue Fund”** means the Revenue Fund established pursuant to the Master Indenture.

**“Revenue Sharing Trigger Event”** means any date on which Subordinate Obligations issued to the United States Department of Transportation, acting by and through the Executive Director of the Build America Bureau, are outstanding and both of the following exist: (a) HRTAC or VDOT, on behalf of the HRTAC, is not actively engaged in the development of capital project programs in the Hampton Roads Transportation Planning Organization’s most recently adopted long-range transportation plan, and (b) for so long as the 2021 TIFIA Toll Obligation remains Outstanding, the unencumbered amount on deposit in the General Fund (after taking into account any HRTF Transfers required to be made as of such date or within the next twelve (12 months)) is greater than \$50,000,000 after making the deposits or transfers described in paragraphs FIRST through TENTH under the heading “Revenue Fund and Flow of Funds – Revenue Fund” in this Appendix and paragraphs FIRST through FOURTH under the heading “Revenue Fund and Flow of Funds – General Fund” in this Appendix (in that order) .

**“Senior Bonds”** means any Bonds issued under the Master Indenture with seniority of payment and security to the Intermediate Lien Obligations and the Subordinate Obligations.

**“Senior Debt Service Fund”** means a Debt Service Fund established with respect to a Series of Senior Bonds pursuant to the Master Indenture.

**“Senior Debt Service Reserve Fund”** means a Debt Service Reserve Fund established with respect to one or more Series of Senior Bonds pursuant to the Master Indenture.

**“Senior Debt Service Reserve Requirement”** means an amount, required to be maintained in a Senior Debt Service Reserve Fund established by the Series Supplement for any Series of Senior Bonds; provided, however, (1) to the extent specified in a Related Series Supplement or in an Officer’s Certificate in connection with the issuance of any additional Series of Senior Bonds or any calculation of the Senior Debt Service Reserve Requirement, HRTAC may hold any Senior Debt Service Reserve Fund collectively with respect to all or multiple Series of Senior Bonds; and (2) if any Senior Debt Service Reserve Fund held collectively with respect to all or multiple Series of Senior Bonds is determined as of the beginning of any Fiscal Year to be in an amount greater than the amount that would be derived by measuring the Senior Debt Service Reserve Requirement separately for each Outstanding Series of Senior Bonds, then such lesser derived amount shall be the Senior Debt Service Reserve Requirement for such Fiscal Year.

**“Serial Bonds”** means the Bonds of a Series that are stated to mature in semiannual or annual installments as designated in the Related Series Supplement.

**“Series”** means all of the Bonds of a particular series issued, authenticated and delivered pursuant to the Master Indenture and the Related Series Supplement and identified as such pursuant to such Series Supplement, and any Bonds of such Series thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Master Indenture and such Series Supplement, regardless of variations in priority of payment, lien status, maturity, interest rate, sinking fund installments or other provisions.

**“Series Supplement”** means a Supplemental Indenture providing for the issuance of a Series of Bonds, as such Series Supplement may be modified, altered, amended and supplemented by a Supplemental Indenture in accordance with the provisions of the Master Indenture.

**“SIFMA”** means the Securities Industry and Financial Markets Association and its successors.

**“SIFMA Swap Index”** means, on any determination date, the rate calculated, on the basis of the seven day high grade market index comprised of tax exempt variable rate demand obligation reset rates, by Bloomberg (or successor organizations) and published or made available by SIFMA or any Person acting in cooperation with or under the sponsorship of SIFMA as the SIFMA Municipal Swap Index on such date.

**“Subordinate Debt Service Fund”** means a Debt Service Fund established with respect to a Series of Subordinate Obligations pursuant to the Master Indenture.

**“Subordinate Debt Service Reserve Fund”** means a Debt Service Reserve Fund established with respect to one or more Series of Subordinate Obligations pursuant to the Master Indenture.

**“Subordinate Debt Service Reserve Requirement”** means an amount, required to be maintained in a Subordinate Debt Service Reserve Fund established by the Series Supplement for any Subordinate Obligations; provided, however, (1) to the extent specified in a Related Series Supplement or in an Officer’s Certificate in connection with the issuance of any additional Series of Subordinate Obligations or any calculation of the Subordinate Debt Service Reserve Requirement, HRTAC may hold any Subordinate Debt Service Reserve Fund collectively with respect to all or multiple Series of Subordinate Obligations; and (2) if any Subordinate Debt Service Reserve Fund held collectively with respect to all or multiple Series of Subordinate Obligations is determined as of the beginning of any Fiscal Year to be in an amount greater than the amount that would be derived by measuring the Subordinate Debt Service Reserve Requirement separately for each Outstanding Series of Subordinate Obligations as of such date, then such lesser derived amount shall be the Subordinate Debt Service Reserve Requirement for such Fiscal Year.

**“Subordinate Obligations”** means any Bonds that are made specifically subordinate as to payment and security to the Senior Bonds and the Intermediate Lien Obligations.

**“Supplemental Indenture”** means any indenture supplementary to or amendatory of the Master Indenture or any Supplemental Indenture or Series Supplement now or hereafter duly executed and delivered in accordance with the provisions of the Master Indenture, including a Series Supplement.

**“Swap Provider”** means, with respect to a Hedge Agreement, the Person that is identified in such agreement as the counterparty to, or contracting party with, HRTAC.

**“Swap Related Bonds”** means all or any portion of Bonds with respect to which HRTAC has entered into a Hedge Agreement identified as relating to such Bonds, whether or not such Hedge Agreement constitutes a “qualified hedge” under the Tax Code.

**“Tax Code”** means the Internal Revenue Code of 1986, as amended, as in effect upon the issuance of and thereafter applicable to any Series of Bonds and the regulations of the U.S. Department of the Treasury promulgated thereunder as in effect upon the issuance of and thereafter applicable to any Series of Bonds.

**“Tax Regulatory Agreement”** means, with respect to any Series of Bonds, the Tax Certificate and Regulatory Agreement, dated the date of the issuance of such Series of Bonds, entered into by HRTAC for the benefit of the Owners of the Bonds of such Series, as the same may be modified, altered, amended or supplemented pursuant to its terms.

**“Term Bonds”** means all or some of the Bonds of a Series, other than Serial Bonds, that shall be stated to mature on one or more dates and that are so designated in the Related Series Supplement.

**“TIFIA Revenue Sharing Account”** means the account by that name established in the Subordinate Debt Service Fund with respect to the 2023 HRTF TIFIA Loan and any Additional TIFIA Loans (as defined in the 2023 HRTF TIFIA Loan Agreement) of HRTAC secured by HRTAC Revenues as provided in Section 5.1(b) of the Second Series Supplement.

**“Toll Revenues”** means revenues received from tolls established for the use of any transportation facility located in one or more of the Member Localities.

**“Trustee”** means Wilmington Trust, National Association, and its successors serving in the same capacity under the Master Indenture.

**“Variable Rate Bonds”** means any Series of Bonds the interest rate on which is not established, at the time such Bonds are issued, at a single numerical rate for the entire term of such Bonds.

**“Verification Agent”** means (i) a firm of nationally-recognized independent certified public accountants or (ii) any other qualified firm acceptable to HRTAC and the Trustee.

**“Virginia Code”** means the Code of Virginia of 1950, as amended.

## **THE MASTER INDENTURE**

### **Establishment of Trust**

Security for Bonds. In order to provide for the payment of the principal of and the premium, if any, and interest on the Bonds issued hereunder, and to secure the performance of all of the obligations of HRTAC with respect to the Bonds, this Master Indenture and the Series Supplements, subject to the terms hereof and thereof, HRTAC pledges and grants to the Trustee:

- (a) All of the HRTAC Revenues; and
- (b) The Revenue Fund; and
- (c) All other property of any kind mortgaged, pledged or hypothecated to provide for the payment of or to secure the Bonds by HRTAC or by anyone on its behalf and with its written consent at any time as and for additional security under this Master Indenture and the Series Supplements in favor of the Trustee, which is

authorized to receive all such property at any time and to hold and apply it subject to the terms of this Master Indenture and the Series Supplements.

In order to provide for the payment of the principal of and the premium, if any, and interest on each Series of Bonds issued hereunder, and to secure the performance of all of the obligations of HRTAC with respect to such Series, the Master Indenture, and the Related Series Supplement, subject to the terms thereof, HRTAC pledges and grants to the Trustee with respect to such Series (and to such Series only) the money and investments held in the Related Project Fund (if any), Related Debt Service Fund, and Related Debt Service Reserve Fund (if any).

**Bond Credit Facility.** Any Bond Credit Facility that is given to secure some, but not all, of the Bonds, together with money drawn or paid under it, will be held by the Trustee solely as security for such Bonds of the Series to which such Bond Credit Facility is Related. Neither such Bond Credit Facility nor any money drawn or paid under it will secure the payment of any other Series of the Bonds. The status of the Bond Credit Facility as a Senior Bond, an Intermediate Lien Obligation, a Subordinate Obligation or otherwise will be provided for in the Related Series Supplement.

### **Issuance of Bonds**

**In General.** HRTAC may issue Bonds, subject to the terms and conditions contained in the Master Indenture, for any purpose permitted to be financed from the proceeds of Bonds under the HRTAC Act or other law, including without limitation the construction and acquisition of any Project and the refunding of any Bonds previously issued and Outstanding. Such Bonds may be issued in any form permitted by law, including, but not limited to, Current Interest Bonds, Variable Rate Bonds, Capital Appreciation Bonds, Optional Tender Bonds, Serial Bonds or Term Bonds or any combination thereof.

HRTAC shall not issue or incur any Bonds that will be secured by a pledge of revenues, money or property pledged by the Master Indenture to the payment of any Series of Bonds, except for Senior Bonds, Intermediate Lien Obligations and Subordinate Obligations.

Subject to the restrictions described in the previous paragraph, HRTAC reserves the right in its sole discretion and without the consent of the Trustee or any Owner of any Bond to issue from time to time Bonds for any lawful purpose authorized by the HRTAC Act.

**Parity of Bonds.** The Master Indenture constitutes a continuing irrevocable pledge of the HRTAC Revenues and other revenues, money and property of HRTAC pledged as described in the subsection “Establishment of Trust” above to secure payment of the principal of and premium, if any, and interest on all Bonds which may, from time to time, be executed, authenticated and delivered under the Master Indenture. Except as otherwise described herein, all Bonds shall in all respects be equally and ratably secured under the Master Indenture without preference, priority or distinction on account of the time of their authentication, delivery or maturity, so that all such Bonds at any time outstanding under the Master Indenture will have the same right, lien and preference under the Master Indenture with respect to the pledge described in the subsection “Establishment of Trust” above with like effect as if they had all been executed, authenticated and delivered simultaneously. Nothing in the Master Indenture will be construed, however, as (i) requiring that any Bonds bear interest at the same rate or in the same manner as any other Bonds, have the same or an earlier or later maturity, have the same Principal or Interest Payment Dates as other Bonds, be subject to mandatory or optional redemption before maturity on the same basis as any other Bonds, or precluding the creation of separate reserve funds or obtaining separate surety bonds, insurance policies or other Bond Credit Facilities or DSRF Credit Facilities for any Series of Bonds or portions thereof, (ii) prohibiting HRTAC from entering into financial arrangements, including any Bond Credit Facility or DSRF Credit Facility, designed to assure that funds will be available for the payment of certain Bonds at their maturity or tender for purchase, or (iii) prohibiting HRTAC from pledging funds or assets of HRTAC other than those pledged under the Master Indenture or any Supplemental Indenture for the benefit of any Bonds. Intermediate Lien Obligations shall in all respects be junior and subordinate to the Senior Bonds, but senior to the Subordinate Obligations. Subordinate Obligations shall in all respects be junior and subordinate to the Senior Bonds and the Intermediate Lien Obligations.

**Conditions to the Issuance of Additional Series of Bonds.** Before the issuance and authentication of any Series of Bonds by the Trustee, HRTAC shall deliver or cause to be delivered to the Trustee:

- (a) In the case of the initial Series of Bonds issued under the Master Indenture only:
- (1) An original executed counterpart of the Master Indenture;
  - (2) A certified copy of the initial resolution adopted by HRTAC on June 16, 2016, as supplemented by the resolution numbered 2017-08 adopted by HRTAC on December 14, 2017, which authorized the execution and delivery of the Master Indenture; and
  - (3) An Opinion or Opinions of Counsel, subject to customary exceptions and qualifications, to the effect that the Master Indenture has been duly authorized, executed and delivered by HRTAC;
- (b) An original executed counterpart of the Related Series Supplement which may include provisions (i) authorizing the issuance, fixing the principal amount and setting forth the details of the Bonds of the Series then to be issued, the interest rate or rates and the manner in which the Bonds are to bear interest, the Principal and Interest Payment Dates of the Bonds, the purposes for which the Bonds are being issued, the date and the manner of numbering the Bonds, the series designation, the denominations, the maturity dates and amounts, the Amortization Requirements or the manner for determining such Amortization Requirements, and any other provisions for redemption before maturity; (ii) for Bond Credit Facilities for the Series and for the Funds to be established with respect to the Series of Bonds as required or authorized under the Master Indenture; (iii) for the application of the proceeds of the Bonds of the Series; (iv) any term or condition necessary or expedient for the issuance of Bonds constituting Variable Rate Bonds or Optional Tender Bonds, including without limitation, tender and remarketing provisions, liquidity facility provisions and provisions for establishing the variable rate and changing interest rate modes; (v) for the amount, if any, to be deposited into the Related Debt Service Reserve Fund to cause the amount held therein to equal the applicable Reserve Requirement; and (vi) for such other matters as HRTAC may deem appropriate;
- (c) A certified copy of each resolution adopted by HRTAC authorizing the execution and delivery of the Related Series Supplement, any Related Bond Credit Facility and any Related Reimbursement Obligation and the issuance, sale, execution and delivery of the Series of Bonds then to be issued;
- (d) Original executed counterparts of the Related Tax Regulatory Agreement, any Related Bond Credit Facility and any Related Reimbursement Obligation;
- (e) Except for the initial Series of Bonds to be issued under the Master Indenture and for any Series of Refunding Bonds, an Officer's Certificate (subject to the requirements of Section 5.4 (Modification of Certain Definitions) of the Master Indenture, as applicable) to the effect that during any twelve consecutive months of the eighteen months preceding the issuance of the Series of Bonds to be issued the HRTAC Revenues were not less than 2.00 times the maximum annual Principal and Interest Requirements during the current or any future Fiscal Year on the Senior Bonds Outstanding plus the Series of Senior Bonds to be issued; and to the extent that the Series of Bonds to be issued consists of or includes Intermediate Lien Obligations or Subordinate Obligations, HRTAC shall also provide in such Officer's Certificate evidence of compliance with any minimum ratio of HRTAC Revenues to Principal and Interest Requirements on Intermediate Lien Obligations and/or Subordinate Obligations as may be established by any Series Supplement;
- (f) If the Bonds of the Series then to be issued are to be issued to refund Bonds issued and outstanding under the Master Indenture ("Refunding Bonds") evidence satisfactory to the Trustee that (i) the refunding produces present value debt service savings, and (ii) HRTAC has made provision for the payment or redemption of all of the Bonds to be refunded as required by the Master Indenture and the Related Series Supplement and for the payment of the estimated expenses of HRTAC and the Trustee incident to the refunding, including, if applicable, the fees of the Verification Agent and the escrow agent for the Related Escrow Fund;
- (g) An Opinion of Bond Counsel to the effect that (i) the Bonds of the Series then to be issued have been duly authorized, (ii) all conditions precedent to the issuance of such Bonds have been fulfilled, (iii) the Related Series Supplement has been duly authorized, executed and delivered by HRTAC and complies in all respects with the requirements of the Master Indenture and (iv) Bonds are valid and legally binding limited obligations of

HRTAC and are secured by the Master Indenture and the Related Series Supplement to the extent provided herein and therein;

(h) An Officer's Certificate, dated the date of delivery of the Bonds of the Series then to be issued, to the effect that to the best of the knowledge of the signatory, upon and immediately following such delivery, no Event of Default under the Master Indenture or any Series Supplement with respect to any Series of Bonds Outstanding will have occurred and be continuing;

(i) A written order and authorization to the Trustee on behalf of HRTAC, signed by an HRTAC Representative, to authenticate and deliver the Bonds of the Series then to be issued to or upon the order of the purchaser or purchasers therein identified upon payment to the Trustee of the purchase price (including accrued interest, if any) of such Series of Bonds; and

(j) Any additional document or instrument specified in the Related Series Supplement.

#### Modification of Certain Definitions.

(a) In the case of the following described types of Bonds, the definition of the term "Principal and Interest Requirements" for the purposes of preparing and delivering the Officer's Certificate regarding the coverage of HRTAC Revenues described above shall be modified as follows:

(1) Optional Tender Bonds. (i) If any of the Outstanding Bonds or additional Bonds of the Series then to be issued constitute Optional Tender Bonds, then the options of the Owners of such Bonds to tender the same for payment prior to their stated maturity or maturities shall be disregarded and Principal and Interest Requirements shall be calculated based on Assumed Debt Service, (ii) if such Bonds also constitute Variable Rate Bonds, HRTAC shall also make the adjustments described in the next paragraph, and (iii) any obligation HRTAC may have, other than its obligation on such additional Bonds (which need not be uniform as to all Owners thereof), to reimburse any Person for its having extended a Bond Credit Facility shall be disregarded and Principal and Interest Requirements shall be calculated based on Assumed Debt Service.

(2) Variable Rate Bonds.

(i) Tax-Exempt. If any of the Outstanding Bonds or Bonds of the Series then to be issued constitute Variable Rate Bonds the interest on which is or will be excluded from gross income for federal income tax purposes, then the interest rate used in the above-described computations shall be assumed to equal the average of the SIFMA Swap Index for the five years preceding such date of calculation, or such other rate as shall be specified in a Related Series Supplement or in an Officer's Certificate in connection with the issuance of any additional Series of Bonds or any calculation of the Reserve Requirement.

(ii) Taxable. If any of the Outstanding Bonds or Bonds of the Series then to be issued constitute Variable Rate Bonds the interest on which is or will be included in gross income for federal income tax purposes, then the interest rate used in the above-described computations shall be assumed to equal the average for the five years preceding such date of calculation of such rate as shall be specified in a Related Series Supplement or in an Officer's Certificate in connection with the issuance of any additional Series of Bonds or any calculation of the Reserve Requirement.

(3) Swap Related Bonds. If any of the Outstanding Bonds or Bonds of the Series then to be issued constitute Swap Related Bonds, then the Interest Requirements on such Swap Related Bonds during any Hedge Period and, for so long as the Swap Provider has not defaulted on its payment obligations under the related Hedge Agreement, shall be calculated by adding (i) the amount of interest payable by HRTAC on such Swap Related Bonds pursuant to their terms, subject to paragraphs (a)(1) and (2) as applicable, and (ii) the amount of Hedge Payments payable by HRTAC pursuant to the Hedge Agreement and subtracting (iii) the amount of Hedge Receipts payable by the Swap Provider to HRTAC pursuant to the Hedge Agreement; provided, however, that if the Swap Provider is in default under the related Hedge Agreement, the Interest Requirements on such Swap Related Bonds shall be the interest calculated as if such Hedge Agreement had not been executed. In determining the amount of

Hedge Payments or Hedge Receipts that are not fixed throughout the Hedge Period (i.e., which are variable), payable or receivable for any future period, such Hedge Payments or Hedge Receipts for any period of calculation (the “Determination Period”) shall be computed by assuming that the variables comprising the calculation applicable to the Determination Period are equal to the higher of (1) such variables in effect as of the date of calculation and (2) the average of the actual variables that were in effect (weighted according to the length of the period during which each such variable was in effect) for the most recent 12-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a 12-month period).

(b) The conversion of Bonds constituting Variable Rate Bonds to bear interest at fixed rate or rates or vice-versa, in accordance with their terms, shall not constitute a new issuance of Bonds under the Master Indenture.

(c) With respect to any Bonds bearing interest that is subject to a federal interest subsidy the proceeds of which are not otherwise designated as HRTAC Revenues, the interest rate on such Bonds shall be assumed to be the rate net of such interest subsidy.

Intermediate Lien Obligations. Nothing in the Master Indenture shall prohibit or prevent HRTAC from authorizing and issuing Intermediate Lien Obligations for any lawful purpose payable from HRTAC Revenues subject and subordinate to the payment of any Senior Bonds and to the deposits required to be made from HRTAC Revenues to the Senior Debt Service Funds and the Senior Debt Service Reserve Funds, or any other Fund or Account established to secure any Senior Bonds, or from securing any Intermediate Lien Obligations and their payment by a lien and pledge of HRTAC Revenues junior and inferior to the lien on and pledge thereof for the payment and security of the Senior Bonds.

Subordinate Obligations. Nothing in the Master Indenture shall prohibit or prevent HRTAC from authorizing and issuing Subordinate Obligations for any lawful purpose payable from HRTAC Revenues subject and subordinate to the payment of any Senior Bonds and Intermediate Lien Obligations and to the deposits required to be made from HRTAC Revenues to Senior and Intermediate Lien Debt Service Funds and Senior and Intermediate Lien Debt Service Reserve Funds, or any other Fund or Account established to secure any Senior Bonds or Intermediate Lien Obligations, or from securing any Subordinate Obligations and their payment by a lien and pledge of HRTAC Revenues junior and inferior to the lien on and pledge thereof for the payment and security of the Senior Bonds and the Intermediate Lien Obligations.

#### **Establishment of Funds and Accounts**

Permanent Funds. The Funds listed below have been established under the Master Indenture with respect to all of the Outstanding Bonds issued under or in accordance with the Master Indenture and HRTAC’s operations, and HRTAC will hold each such Fund without commingling the monies held therein.

- (a) Revenue Fund;
- (b) Operating Fund, in which there is established an Operating Account and an Operating Reserve Account; and
- (c) General Fund.

Series-Specific Funds. The Funds listed below will be established with respect to each separate Series of Bonds in the Related Series Supplement, and the Trustee shall hold such Funds without commingling the monies held therein, except that (i) HRTAC has the option not to establish a Debt Service Reserve Fund for a Series of Bonds, (ii) HRTAC has the option to establish a Debt Service Reserve Fund securing multiple Series of Bonds on a parity basis, and (iii) HRTAC shall hold each Cost of Issuance Fund.

- (a) Cost of Issuance Fund;
- (b) Project Fund and/or Escrow Fund, as appropriate;



- (c) Debt Service Fund;
- (d) Debt Service Reserve Fund; and
- (e) Rebate Fund.

HRTAC may direct that a Debt Service Fund and/or Debt Service Reserve Fund established for a Series of Bonds will also provide for the payment of and/or secure any Refunding Bonds issued to refund such Series of Bonds in whole or in part.

Certain Special Funds.

(a) HRTAC may establish with the Trustee or an escrow agent satisfactory to the Trustee in connection with the issuance of any Series of Refunding Bonds, an Escrow Fund to provide for the application and investment of the portion of the proceeds of such Series to be used to refund the refunded Bonds. Such Escrow Fund shall be established under or in accordance with the Related Series Supplement.

(b) HRTAC may establish with the Trustee in connection with the incurrence of any Reimbursement Obligation, a Reimbursement Account in any Related Debt Service Fund. Amounts held for the credit of any such Reimbursement Account shall be paid out by the Trustee as necessary to enable HRTAC to meet its obligations constituting Reimbursement Obligations.

**Revenue Fund and Flow of Funds**

Revenue Fund. HRTAC will hold the Revenue Fund as a separate Fund. HRTAC will deposit into the Revenue Fund all HRTAC Revenues, including any HRTF Revenues transferred from the HRTF, immediately upon receipt.

At least once each month, not later than the last Business Day of each month, HRTAC shall make transfers from the Revenue Fund in the amounts and in the order of priority set forth below:

FIRST: To each Senior Debt Service Fund ratably, the amount, if any, required under the Related Series Supplement so that the balance therein on the next Payment Date shall equal the amount of principal, if any, and interest due on the next Payment Date on the Related Series of Bonds; provided that HRTAC shall receive a credit against such transfer for the amount, if any, held in a Senior Debt Service Fund as capitalized interest or otherwise, together with the investment earnings thereon;

SECOND: To each Senior Debt Service Reserve Fund, ratably, the amount, if any, required so that the balance in each such Fund shall be equal to the respective Senior Debt Service Reserve Requirement;

THIRD: To each Intermediate Lien Debt Service Fund, ratably, the amount, if any, required so that the balance in each such Fund shall equal the amount of principal, if any, and interest due on the Related Intermediate Lien Obligations on the next ensuing payment date; provided that HRTAC shall receive a credit against such transfer for the amount, if any, held in an Intermediate Lien Debt Service Fund as capitalized interest or otherwise, together with the investment earnings thereon;

FOURTH: To each Intermediate Lien Debt Service Reserve Fund, ratably, the amount, if any, so that the balance in such Fund shall be equal to the respective Intermediate Lien Debt Service Reserve Requirement;

FIFTH: To each Subordinate Debt Service Fund, ratably, the amount, if any, required so that the balance in each such Fund shall equal the amount of principal, if any, and interest due on

the Related Subordinate Obligations on the next ensuing payment date; provided that HRTAC shall receive a credit against such transfer for the amount, if any, held in a Subordinate Debt Service Fund as capitalized interest or otherwise, together with the investment earnings thereon;

SIXTH: To each Subordinate Debt Service Reserve Fund, ratably, the amount, if any, so that the balance in such Fund shall be equal to the respective Subordinate Debt Service Reserve Requirement;

SEVENTH: To each Rebate Fund the amounts necessary to provide for the payment of any Rebate Amounts with respect to the Related Series of Bonds as confirmed in an Officer's Certificate;

EIGHTH: To the Operating Account of the Operating Fund, the amount of funds necessary to pay Operating Expenses during such period in accordance with the Annual Budget;

NINTH: To the Operating Reserve Account of the Operating Fund, the amount, if any, so that the balance in such Account shall be equal to the Operating Reserve Requirement;

TENTH: To fund any Hedging Termination Obligation in connection with a Qualified Hedge; and

ELEVENTH: To the General Fund, the balance remaining in the Revenue Fund.

In the case of Bonds of a Series secured by a Bond Credit Facility, amounts on deposit in the Revenue Fund may be transferred to the Related Debt Service Fund, or the Related Reimbursement Account thereof, or elsewhere as provided in the Related Series Supplement to reimburse the Bond Credit Provider for amounts drawn under the Bond Credit Facility to pay the principal of and premium, if any, and interest on such Bonds.

Operating Fund. HRTAC will hold the Operating Fund and the Accounts therein, as a separate Fund for the purpose of paying Operating Expenses. Neither the Operating Fund nor any amount therein is pledged to secure the Bonds. HRTAC shall pay Operating Expenses from the Operating Account as they become due and in accordance with the purposes and amounts provided in the Annual Budget. If at any time there is a deficiency in the Operating Account, HRTAC shall transfer funds from the Operating Reserve Account to cover such deficiency. In determining the balance on deposit in the Operating Account for any purpose of the Master Indenture, there shall be deducted the amount of any pending payments or transfers from the Operating Account. HRTAC may cause amounts in the Operating Fund in excess of those required by the Annual Budget to be transferred to the General Fund.

Debt Service Funds. The Trustee shall promptly deposit the following amounts in each Debt Service Fund:

- (a) The amount, if any, of the proceeds of the Related Series of Bonds required by the Related Series Supplement to be deposited in the Debt Service Fund with respect to accrued and/or capitalized interest;
- (b) All amounts received from the Revenue Fund as described above;
- (c) Any amounts required to be transferred to the Debt Service Fund from a Debt Service Reserve Fund as provided under the Master Indenture; and
- (d) Any other amounts required to be paid to the Debt Service Fund or otherwise made available for deposit therein by HRTAC, including amounts made available pursuant to the Related Series Supplement.

The Trustee shall pay out of each Debt Service Fund ratably to the Trustee or, if applicable, the Paying Agent for the Related Series of Bonds (i) on each Interest Payment Date, the amount required for the payment of interest on such Bonds then due, (ii) on any redemption date, the amount required for the payment of accrued interest on such Bonds to be redeemed, unless the payment of such accrued interest shall be otherwise provided for, and such amounts

shall be applied by the Trustee or the Paying Agent, as applicable, to such payment, and (iii) the accrued interest included in the Purchase Price of any such Bonds of the Related Series purchased for retirement pursuant to the Master Indenture.

The Trustee shall pay out of each Debt Service Fund for the Related Series of Bonds on each Principal Payment Date and redemption date for such Bonds, the amounts then required for the payment of such principal or redemption price, and such amounts shall be applied by the Trustee to such payments either itself or through the Paying Agent for such Bonds.

Whenever the amounts in a Debt Service Fund is sufficient to redeem all of the Outstanding Bonds of the Related Series and to pay interest accrued to the redemption date, the Commission will cause the Trustee to redeem all such Related Bonds on the applicable redemption date specified by the Commission. Any amounts remaining in the Related Debt Service Fund after payment in full of the principal or redemption price and interest on the Related Bonds (or provision for payment thereof) and the fees, charges and expenses related to such transaction, shall be transferred to the Revenue Fund.

Debt Service Reserve Funds. Except as specifically described below, the amount in each Debt Service Reserve Fund shall be used solely to cure deficiencies in the amount on deposit in the Related Debt Service Fund and only with respect to the Related Series of Bonds. If there are insufficient funds in the Related Bond Service Fund to pay the principal of and interest on a particular Series of Bonds when due, then the Trustee shall transfer the amount of deficiency from the amount, if any, on deposit in the Related Debt Service Reserve Fund to such Debt Service Fund.

Any interest earned from the investment of money in a Debt Service Reserve Fund shall be transferred upon receipt to the Revenue Fund and/or to the Related Rebate Fund to pay any Rebate Amounts in accordance with the Series Supplements and Tax Regulatory Agreements (as confirmed in an Officer's Certificate) to the extent that such transfer will not cause the balance in the Debt Service Reserve Fund to be less than its Reserve Requirement.

On each Reserve Determination Date, the Trustee shall determine if the balance in each of the Debt Service Reserve Funds is at least equal to the Reserve Requirement for the Related Series of Bonds. In making each such determination, investments in each Debt Service Reserve Fund shall be valued as described in the subsection "Permitted Investments and Valuation of Funds" below or as otherwise provided in the Related Series Supplement. If on any Reserve Determination Date the amount in any Debt Service Reserve Fund is less than its Reserve Requirement, the Trustee shall immediately notify HRTAC of such fact and the amount of the deficiency.

Any interest earned from the investment of money in a Debt Service Reserve Fund shall be transferred upon receipt to the Related Debt Service Fund and/or to the Related Rebate Fund to pay any Rebate Amounts in accordance with the applicable Series Supplements, Tax Regulatory Agreements and Officer's Certificates to the extent that such transfer will not cause the balance in the Debt Service Reserve Fund to be less than its Reserve Requirement. If on any Reserve Determination Date there exists a surplus in a Debt Service Reserve Fund, the Trustee shall transfer such surplus to the Related Debt Service Fund and/or to the Related Rebate Fund to pay any Rebate Amounts in accordance with the applicable Series Supplements, Tax Regulatory Agreements and Officer's Certificate; provided, however, that if on any Reserve Determination Date there exists or will exist a surplus in a Debt Service Reserve Fund as the result of the payment at maturity, redemption or defeasance under the Master Indenture of a portion of the Bonds of the Related Series on or as of such Reserve Determination Date, then the Trustee is authorized to transfer the surplus (including to an Escrow Fund for any such Bonds to be redeemed or defeased) as specified in (i) a Series Supplement (as confirmed in an Officer's Certificate) or (ii) an Officer's Certificate.

In lieu of maintaining and depositing money or securities in a Debt Service Reserve Fund, HRTAC may deposit with the Trustee a DSRF Credit Facility in an amount equal to all or a portion of the applicable Reserve Requirement. Any DSRF Credit Facility will permit the Trustee to draw or obtain under it for deposit in the Debt Service Reserve Fund amounts that, when combined with the other amounts in such Fund, are not less than the applicable Reserve Requirement.

The Trustee will make a drawing on or otherwise obtain funds under any DSRF Credit Facility before its expiration or termination (i) whenever money is required for the purposes for which Debt Service Reserve Fund money

may be applied and (ii) unless such DSRF Credit Facility has been extended or a qualified replacement for it delivered to the Trustee, in the event HRTAC has not deposited immediately available funds equal to the applicable Reserve Requirement at least two Business Days preceding the expiration or termination of such DSRF Credit Facility.

If HRTAC provides the Trustee with a DSRF Credit Facility as provided above, the Trustee will transfer the corresponding amount of funds then on deposit in the applicable Debt Service Reserve Fund to HRTAC, provided HRTAC delivers to the Trustee (i) an Opinion of Bond Counsel that such transfer of funds will not adversely affect the excludability from gross income for purposes of federal income taxation of interest on any Bonds the interest on which was excludable on the date of their issuance and (ii) HRTAC covenants to comply with any directions or restrictions contained in such opinion concerning the use of such funds.

General Fund. HRTAC will hold the General Fund and, except as otherwise provided below, neither such Fund nor any moneys or investments therein shall be pledged to secure the Bonds.

HRTAC shall apply the balance in the General Fund as follows:

FIRST: To cure any deficiency in the amount required to be on deposit in any Senior Debt Service Fund, any Senior Debt Service Reserve Fund, any Intermediate Lien Debt Service Fund, any Intermediate Lien Debt Service Reserve Fund, any Subordinate Debt Service Fund, any Subordinate Debt Service Reserve Fund, any Rebate Fund, or the Operating Reserve Account, in that order;

SECOND: To make HRTF Transfers;

THIRD: To pay any Bond Credit Provider or DSRF Credit Provider any Excess Interest owed due to a drawing on any applicable Bond Credit Facility or DSRF Credit Facility or any additional interest, fees, fines or other penalties owed as a result of a default on any applicable Bond Credit Facility or DSRF Credit Facility;

FOURTH: To the payment of expenditures for capital improvements with respect to any Project;

FIFTH: For deposit into the TIFIA Revenue Sharing Account, the amount, if any, as may be required under applicable Series Supplements, in an amount equal to Excess Revenues for such month; and

SIXTH: To any other lawful purpose approved by resolution of HRTAC.

### **Operation of Certain Series-Specific Funds**

Cost of Issuance Funds. There shall be deposited in each Cost of Issuance Fund the portion of the proceeds of the Related Series of Bonds and such other amounts as may be specified in the Related Series Supplement. HRTAC will use the amounts in each Cost of Issuance Fund to pay costs of issuance incurred in connection with the issuance of the Related Series of Bonds.

Project Funds. There will be deposited into each Project Fund such portion of the proceeds of the Related Series of Bonds and other amounts as may be specified in the Related Series Supplement. HRTAC shall use the amounts in each Project Fund to finance or refinance the Projects in accordance with the requirements of the Related Series Supplement and Tax Regulatory Agreement.

Rebate Funds. There shall be transferred to each Rebate Fund amounts to be used to pay Rebate Amounts with respect to the Related Series of Bonds to the extent, and from the sources, specified in a Related Series Supplement, a Related Tax Regulatory Agreement or an Officer's Certificate. Whenever amounts on deposit in a Rebate Fund shall be required to pay Rebate Amounts and any other obligations under Section 148 of the Tax Code in connection with a Related Series of Bonds, HRTAC shall direct the Trustee to transfer such amounts to or on behalf of HRTAC for such purpose. HRTAC may direct the Trustee to transfer any amounts on deposit in a Rebate Fund that are not needed for such purpose to the Revenue Fund and/or another Fund or Account established hereunder as may be authorized or directed in a Related Series Supplement, a Related Tax Regulatory Agreement or an Officer's Certificate.

## **Permitted Investments and Valuation of Funds**

Permitted Investments. Subject to the provisions of any Supplemental Indenture, any amounts held in any Fund or Account established by the Master Indenture or any Supplemental Indenture may be separately invested and reinvested by the Trustee, at the request of and as directed in writing by an HRTAC Representative, in any investments that are at the time (i) legal investments for public funds of the type to be invested under Virginia law, including without limitation the Investment of Public Funds Act, Chapter 45 of Title 2.2 of the Virginia Code or any successor provision of law and the Government Non-Arbitrage Investment Act, Chapter 47 of Title 2.2 of the Virginia Code or any successor provision of law, (ii) authorized by HRTAC's Statement of Investment Policy then in effect, and (iii) structured to permit adequate liquidity to permit the purpose of such Fund or Account to be satisfied. Notwithstanding anything to the contrary contained herein, HRTAC may invest the amounts on deposit in the General Fund to the same extent as provided in Section 33.2-1525 of the Virginia Code for excess funds in the Transportation Trust Fund.

Subject to the provision of any Supplemental Indenture, all investments shall be held by or under the control of the Trustee or HRTAC, as the case may be, and while so held shall be deemed a part of the Fund or Account in which the amounts were originally held. The Trustee and HRTAC shall sell and reduce to cash a sufficient amount of investments whenever the case balance in any Fund or Account is insufficient for its purposes.

Valuation of Investments. Unless otherwise provided in a Supplemental Indenture, HRTAC or the Trustee shall value the investments in each Fund and Account established under the Master Indenture or any Supplemental Indenture and held by it or at its direction as of the last Business Day of each month; provided that, notwithstanding the foregoing, a Debt Service Reserve Fund shall be valued only on Reserve Determination Dates.

Unless otherwise provided in a Supplemental Indenture, each such investment shall be valued (i) at amortized cost if the weighted average life of all investments held in the same Fund or Account is five years or less or (ii) at its fair market value or the amortized cost thereof, whichever is lower if the weighted average life of all investments held in the same Fund or Account exceeds five years. A DSRF Credit Facility shall be valued at the amount that the Trustee is authorized to draw thereon to pay debt service on the Series of Bonds secured thereby.

## **Discharge and Defeasance**

Discharge. If the following conditions exist:

(a) The principal of any and all of the Series of Bonds and the interest due or to become due thereon together with any redemption premium required by redemption of any of the Bonds prior to maturity shall be paid, or is caused to be paid, or is provided for as described under the heading "Defeasance" below, at the times and in the manner to which reference is made in the Bonds, according to the true intent and meaning thereof, or the Outstanding Bonds shall have been paid and discharged in accordance with the Master Indenture, and

(b) All of the covenants, agreements, obligations, terms and conditions of HRTAC under the Master Indenture shall have been kept, performed and observed and there shall have been paid to the Trustee all sums of money due or to become due to it as bond registrar and paying agent in accordance with the terms and provisions of the Master Indenture,

then the right, title and interest of the Trustee in the trust estate granted pursuant to the Master Indenture will thereupon cease and the Trustee, on the request of and at the expense of HRTAC, shall release the Master Indenture and the trust estate and shall execute such documents to evidence such release as may be reasonably required by HRTAC and shall turn over to HRTAC, or to such other Person as may be entitled to receive the same, all balances remaining in any Funds and Accounts established hereunder except for amounts required to pay the Bonds.

Provision for Payment of Particular Bonds. If HRTAC shall pay or provide for the payment of all or part of the indebtedness on particular Bonds in any one or more of the following ways:

(a) by paying or causing to be paid the principal of and premium, if any, and interest on such Bonds, as and when the same shall become due and payable;

(b) by delivering such Bonds to the Trustee for cancellation; or

(c) by depositing with the Trustee (or an escrow agent acceptable to the Trustee), in trust, cash and/or Defeasance Obligations in such amount as will, together with the income or increment to accrue on such Defeasance Obligations (the “Defeasance Amount”), be fully sufficient to pay or redeem (when redeemable) and discharge the indebtedness on such Bonds at or before their respective maturity dates, without consideration of any reinvestment of the Defeasance Amount, as a Verification Agent will verify to the Trustee’s satisfaction;

and if HRTAC shall also pay or provide for the payment of all other sums payable hereunder by HRTAC with respect to such Bonds, and, if such Bonds are to be redeemed before their maturity, notice of such redemption shall have been given as provided in the Master indenture (or the corresponding provisions of the Related Series Supplements) or provisions satisfactory to the Trustee shall have been made for the giving of such notice, such Bonds shall cease to be entitled to any lien, benefit or security under the Master Indenture except as described below.

HRTAC may at any time surrender to the Trustee for cancellation any Bonds previously authenticated and delivered that HRTAC may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired as described above.

Upon such defeasance all rights of HRTAC, including its right to provide for optional redemption of such Bonds on dates other than planned pursuant to such defeasance, shall cease unless specifically retained by filing a written notification thereof with the Trustee on or prior to the date the Defeasance Amount is deposited with the Trustee or escrow agent.

When a Transportation Bond is deemed to be paid as described above, it shall no longer be secured by or entitled to the benefits of the Master Indenture, except for the purposes of any such payment (to the exclusion of all other Owners) from the Defeasance Amount and except for the provisions of payment and redemption provisions of the Master Indenture.

#### **Events of Default and Remedies Upon Default**

Events of Default. The occurrence and continuation of one or more of the following events shall constitute an Event of Default with respect to the Bonds:

(a) default in the payment of any installment of interest in respect of the any Series of Bonds as the same shall become due and payable; or

(b) default in the payment of the principal of or premium, if any, in respect of any Series of Bonds as the same shall become due and payable either at maturity, upon redemption, or otherwise; or

(c) default in the payment of any Amortization Requirement in respect of any Bond that is a Term Bond as the same shall become due and payable; or

(d) failure on the part of HRTAC duly to observe or perform any other of the covenants or agreements on the part of HRTAC contained in the Master Indenture, a Series Supplement, a Tax Regulatory Agreement or any Bond (a “Covenant Event of Default”), subject to the provisions described in the subsection “Notice of Certain Defaults; Opportunity to Cure Such Defaults” below; or

(e) appointment by a court of competent jurisdiction of a receiver for all or any substantial part of the HRTAC Revenues and the other Funds and Accounts pledged pursuant to the Master Indenture, or the filing by HRTAC of any petition for reorganization of HRTAC or rearrangement or readjustment of the obligations of HRTAC under the provisions of any applicable Bankruptcy Law.

**Notwithstanding any other provision of the Master Indenture, failure to pay the principal or any Amortization Requirement of or interest on any Intermediate Lien Obligation or Subordinate Obligation will not constitute an Event of Default with respect to any of the Senior Bonds, and failure to pay the principal or**

**any Amortization Requirement of or interest on any Subordinate Obligation will not constitute an Event of Default with respect to any of the Intermediate Lien Obligations.**

An Event of Default with respect to one Series of Bonds shall not cause an Event of Default with respect to any Series of Bonds unless such event or condition independently constitutes an Event of Default with such other Series of Bonds.

HRTAC may, pursuant to a Series Supplement, provide for a particular Series of Bonds different or additional Events of Default and remedies upon the occurrence thereof including, but not limited to, Events of Default upon the occurrence of events specified in any agreement entered into in connection with the delivery of a Bond Credit Facility; provided, however, no such Series Supplement shall provide for any acceleration of the full principal amount of any Bonds.

Remedies Upon Default. If an Event of Default occurs and is continuing, there shall be no right of acceleration with respect to any Bonds but the Trustee may, and upon the written request to the Trustee by the Majority Owners shall, subject to the indemnity requirements of the Master Indenture, protect and enforce its rights and the rights of the Owners of such Bonds by such suits, actions or proceedings to enforce payment of and receive any and all amounts due from the Commission hereunder, together with any and all costs and expenses of proceedings and collections, and to collect (but solely from HRTAC Revenues available for such purpose) in any manner provided by law, the moneys adjudged or decreed to be payable.

Without limiting the generality of the foregoing, the Commission shall not enter into any agreement, including, without limitation, a Credit Facility, continuing covenants agreement or similar direct purchase agreement, which purports to create any rights of acceleration of any Bonds; provided, however, the following shall not be considered acceleration for purposes of this paragraph: (i) termination payments under any Hedge Agreement; and (ii) term-outs of Reimbursement Obligations under Bond Credit Facilities that occur as a result of (A) mandatory tender for purchase of the Bonds or (B) revised amortization requirements and/or increased interest rates following an optional or mandatory tender for purchase of the Bonds.

Control of Remedies. Notwithstanding anything in the Master Indenture or the Supplemental Indentures to the contrary, upon the occurrence and continuation of an Event of Default, the Majority Owners will control and direct all actions of the Trustee in exercising such of the rights and powers conferred by the Master Indenture on the Trustee or the Owners.

So long as any Senior Bonds are Outstanding, no owner or holder of any Intermediate Lien Obligation or any Subordinate Obligation may exercise any remedy under the Master Indenture or any Supplemental Indenture, and so long as any Intermediate Lien Obligations are Outstanding, no owner or holder of any Subordinate Obligation may exercise any remedy under the Master Indenture or any Supplemental Indenture.

Restriction on Owners' Actions. No Owner will have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Master Indenture or any remedy under the Master Indenture or any Supplemental Indenture or the Bonds, unless (i) an Event of Default has occurred and is continuing of which the Trustee has been notified as provided in the Master Indenture, or of which it is deemed to have notice thereunder; (ii) the Majority Owners have made written request of the Trustee to institute the suit, action, proceeding or other remedy, after the right to exercise the powers or rights of action, as the case may be, has accrued, and have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted in the Master Indenture or to institute the action, suit or proceeding in its or their name; (iii) there has been offered to the Trustee security and indemnity reasonably satisfactory to it against the costs, expenses and liabilities to be incurred as provided in the Master Indenture; and (iv) the Trustee has not complied with the request within a reasonable time. Such notification, request and offer of indemnity are declared, at the option of the Trustee, to be conditions precedent to the execution of the trusts of the Master Indenture or for any other remedy under the Master Indenture. It is intended that no one or more Owners will have any right to affect, disturb or prejudice the security of the Master Indenture, or to enforce any right under the Master Indenture or the Bonds, except in the manner provided for in the Master Indenture, and that all proceedings at law or in equity will be instituted, had and maintained in the manner provided in the Master Indenture and for the benefit of all Owners. Nothing in the Master Indenture will affect or impair the right of the Owners generally to enforce payment of the Bonds in accordance with their terms.

Power of Trustee to Enforce. All rights of action under the Master Indenture or under any of the Bonds secured by it that are enforceable by the Trustee may be enforced without the possession of any of the Bonds, or their production at the trial or other related proceedings. Any suit, action or proceedings instituted by the Trustee may be brought in its own name, as trustee, for the equal and ratable benefit of the Owners subject to the provisions of the Master Indenture.

Waiver of Events of Default; Effect of Waiver. The Trustee will waive any Event of Default and its consequences at the written request of the Majority Owners. If any Event of Default with respect to the Bonds has been waived as provided in the Master Indenture, the Trustee will promptly give written notice of the waiver to HRTAC and by first class mail, postage prepaid, to all Owners if the Owners had previously been given notice of the Event of Default. No waiver, rescission and annulment will extend to or affect any subsequent Event of Default or impair any right, power or remedy available under the Master Indenture.

Application of Money. Any amounts received by the Trustee following an Event of Default will, after payment of the costs and expenses of the proceedings resulting in the collection of the money, the expenses, liabilities and advances incurred or made by the Trustee and the fees (whether ordinary or extraordinary) of the Trustee and expenses of HRTAC in carrying out the provisions of the Master Indenture, be deposited in an appropriate Account established and held by the Trustee and shall be applied as follows:

FIRST: To the payment of the persons entitled to it of all installments of interest then due on the Senior Bonds, in order of the maturity of the installments of such interest and, if the money available is not sufficient to pay in full any particular installment, then ratably, according to the amounts due on such installment, to the persons entitled to it, without any discrimination or privilege;

SECOND: To the payment of the persons entitled to it of the unpaid principal or Amortization Requirements of on any of the Senior Bonds which have become due (other than Senior Bonds matured or called for redemption for the payment of which money is held pursuant to the provisions of the Master Indenture), in the order of their due dates and, if the amount available is not sufficient to pay in full such Senior Bonds due on any particular date, then ratably, according to the amount of principal due on such date, to the persons entitled to it without any discrimination or privilege;

THIRD: To the payment of the persons entitled to it of all installments of interest then due on the Intermediate Lien Obligations, in order of the maturity of the installments of such interest and, if the money available is not sufficient to pay in full any particular installment, then ratably, according to the amounts due on such installment, to the persons entitled to it, without any discrimination or privilege;

FOURTH: To the payment of the persons entitled to it of the unpaid principal or Amortization Requirements of any of the Intermediate Lien Obligations that have become due (other than Intermediate Lien Obligations matured or called for redemption for the payment of which money is held pursuant to the provisions of the Master Indenture), in the order of their due dates and, if the amount available is not sufficient to pay in full such Intermediate Lien Obligations due on any particular date, then ratably, according to the amount of principal due on such date, to the persons entitled to it without any discrimination or privilege;

FIFTH: To the payment of the persons entitled to it of all installments of interest then due on the Subordinate Obligations, in order of the maturity of the installments of such interest and, if the money available is not sufficient to pay in full any particular installment, then ratably, according to the amounts due on such installment, to the persons entitled to it, without any discrimination or privilege; and

SIXTH: To the payment of the persons entitled to it of the unpaid principal or Amortization Requirements of any of the Subordinate Obligations that have become due (other than Subordinate Obligations matured or called for redemption for the payment of which money is held pursuant to the provisions of the Master Indenture), in the order of their due dates and, if the amount available is not sufficient to pay in full such Subordinate Obligations due on any particular date, then ratably, according to the amount of principal due on such date, to the persons entitled to it without any discrimination or privilege.



Whenever money is to be applied as described above, it will be applied at such times, and from time to time, as the Trustee determines, having due regard to the amount of money available for application and the likelihood of additional money becoming available for application in the future. Whenever the Trustee applies such money, it will fix the date on which payment is to be made, and interest on the amount of principal to be paid on such date will cease to accrue. The Trustee will give, in such form as it may deem appropriate, notice to the Owners of the fixing of such payment date.

Notice of Certain Defaults; Opportunity to Cure Such Defaults. Notwithstanding anything to the contrary in the Master Indenture, no Covenant Event of Default will occur until actual notice of the default is given to HRTAC by the Trustee or by the Owners of not less than 25% in aggregate principal amount of all Outstanding Bonds, and HRTAC has had (i) 30 days after receipt of the notice with respect to any default in the payment of money or (ii) 90 days after receipt of the notice of any other default to correct the default or to cause the default to be corrected; provided, however, that if the default can be corrected, but cannot within the applicable period, it will not constitute an Event of Default if corrective action is instituted by HRTAC within the applicable period and diligently pursued (as determined by the Trustee) until the default is corrected.

Rights of Bond Credit Provider. Notwithstanding anything contained in the Master Indenture to the contrary, until HRTAC has reimbursed a Bond Credit Provider for amounts paid under a Bond Credit Facility to pay the interest on or the principal of any Bonds on any Payment Date, (i) such Bonds shall be deemed to be Outstanding and such Bond Credit Provider shall succeed to the rights and interests of the Owners to the extent of the amounts paid under the Bond Credit Facility until such amounts have been reimbursed and (ii) upon presentation to the Trustee, such Bond shall be registered in the name of the Bond Credit Provider or its nominee.

### **Amendments and Supplemental Indentures**

HRTAC and the Trustee may, without the consent of, or notice to, any of the Owners of the Bonds, enter into such Supplemental Indenture or Supplemental Indentures as shall not be inconsistent with the terms and provisions of the Master Indenture or any Supplemental Indenture for any one or more of the following purposes:

- (a) To cure or correct any ambiguity, formal defect, omission or inconsistent provision in the Master Indenture or in a Supplemental Indenture;
- (b) To grant to or confer on the Trustee for the benefit of the Owners any additional rights, remedies, powers or authority that may lawfully be granted to or conferred on the Owners or the Trustee;
- (c) To permit the appointment of a co-Trustee or additional Paying Agents under the Master Indenture;
- (d) To subject to the lien and pledge of the Master Indenture additional revenues, properties or collateral;
- (e) To provide for the issuance of coupon Bonds if authorized under the Related Supplemental Indenture;
- (f) To amend certain provisions of the Master Indenture or any Supplemental Indenture in any manner consistent with Sections 103 and 141 through 150 of the Tax Code (or such other sections of the Tax Code as may be applicable to the Bonds) as in effect at the time of the amendment;
- (g) To confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by the Master Indenture or any Supplemental Indenture, of the HRTAC Revenues or any other moneys, property or Funds or Accounts;
- (h) To modify, amend or supplement the Master Indenture or any Supplemental Indenture as required to permit its qualification under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, or to permit the qualification of any of the Bonds for sale under the securities laws of any of the

states of the United States, and, if HRTAC and the Trustee so determine, to add to the Master Indenture or any Supplemental Indenture such other terms, conditions and provisions as may be permitted by the Trust Indenture Act of 1939, as amended, or similar federal statute;

(i) To add to the covenants and agreements of HRTAC contained in the Master Indenture or any Supplemental Indenture other covenants and agreements thereafter to be observed for the Owners' protection, including, but not limited to, additional requirements imposed by virtue of a change of law, or to surrender or to limit any right, power or authority therein reserved to or conferred upon HRTAC;

(j) To amend, modify or change the terms of any agreements governing any book-entry-only system for any of the Bonds;

(k) In the case of Series Supplements, to provide for the issuance of additional Series of Bonds (including Refunding Bonds) and to provide for such other related matters as may be required or contemplated by or appropriate under the Master Indenture;

(l) To make any changes necessary to comply with the requirements of a Rating Agency, a Bond Credit Provider, or an DSRF Credit Provider that, as expressed in a written finding or determination by HRTAC (which shall be stated in the Related Supplemental Indenture, and may be based on an Opinion of Bond Counsel or the written opinion of HRTAC's financial advisor), would not materially adversely affect the security for the Bonds;

(m) To make any other changes that (i) will have no adverse effect upon the ratings currently assigned to the Bonds by any Rating Agency, as expressed in a Rating Confirmation or (ii) shall not prejudice in any material respect the rights of the Owners of such Bonds then Outstanding, as expressed in a written determination or finding by HRTAC (which shall be stated in the Supplemental Indenture, and may be based upon an Opinion of Bond Counsel or the written opinion of HRTAC's financial advisor); and

(n) To restate in one document the Master Indenture and all Supplemental Indentures, which restatement shall then become the Master Indenture for all purposes, effective as of the date of the Master Indenture with respect to matters set forth therein and as of the date of any Supplemental Indenture included in the restatement as to matters set forth in any such Supplemental Indenture. Supplemental Indentures and the Bonds issued thereunder prior to a restatement shall be deemed to relate to the restated Master Indenture without any further action or amendment.

Exclusive of Supplemental Indentures covered above and subject to the terms and provisions contained above, the Majority Owners shall have the right from time to time, notwithstanding any other provision of the Master Indenture, to consent to and approve the execution by HRTAC and the Trustee of such other Supplemental Indenture or Supplemental Indentures as HRTAC shall deem necessary or desirable to modify, alter, amend, add to or rescind, in any particular, any of the terms or provisions contained in the Master Indenture or in any Supplemental Indenture; provided, however, that without the consent and approval of the Owners of all of the affected Senior Bonds, Intermediate Lien Obligations or Subordinate Obligations, as applicable, then Outstanding nothing in the Master Indenture shall permit, or be construed as permitting (i) an extension of the maturity of the principal of or the interest on any such Senior Bond, Intermediate Lien Obligation or Subordinate Obligation, (ii) a reduction in the principal amount of any such Senior Bond, Intermediate Lien Obligation or Subordinate Obligation or the rate of interest on it, (iii) a privilege or priority of any such Senior Bond over any other Senior Bond, any such Intermediate Lien Obligation over any other Intermediate Lien Obligation, or any such Subordinate Obligation over any other Subordinate Obligation, or (iv) a reduction in the aggregate principal amount of Senior Bonds, Intermediate Lien Obligations or Subordinate Obligations required for consent to such Supplemental Indenture.

If at any time HRTAC shall request the Trustee to enter into any such Supplemental Indenture for any of the purposes of expressed above, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of the Supplemental Indenture to be mailed to each Owner of Bonds then Outstanding by registered or certified mail to the address of each such Owner as it appears on the registration books for such Bonds; provided, however, that failure to give such notice by mailing, or any defect in it, shall not affect the validity of any proceedings regarding such Supplemental Indenture. Such notice shall briefly state the nature of the proposed Supplemental Indenture and shall state that copies of it are on file at the Trustee's designated corporate trust office for

inspection by all Owners. If, within six months or such longer period as shall be prescribed by HRTAC following the giving of such notice, the Majority Owners shall have consented to and approved its execution, no Owner of any such Bond shall have any right to object to any of the terms and provisions contained in it, or its operation, or in any manner to question the propriety of its execution, or to enjoin or restrain the Trustee or HRTAC from executing such Supplemental Indenture or from taking any action under its provisions. Upon the execution of any such Supplemental Indenture permitted as described above, the Master Indenture shall be deemed to be modified and amended in accordance therewith.

Bonds owned or held by or for the account of HRTAC or any Person controlling, controlled by or under common control with HRTAC shall not be deemed Outstanding for the purpose of consent or any calculation of Outstanding Bonds for purposes of entering into Supplemental Indentures. At the time of any such calculation, HRTAC shall furnish the Trustee an Officer's Certificate describing all such Bonds so to be excluded.

Anything contained in the Master Indenture to the contrary notwithstanding, HRTAC and the Trustee may enter into any Supplemental Indenture upon receipt of the consent of the Owners of all Bonds then Outstanding.

## **THE 2024A SERIES SUPPLEMENT**

### **Authorization and Details of 2024A Bonds**

The 2024A Series Supplement authorizes the issuance pursuant to the Master Indenture of the Series 2024A Bonds. The details as to principal, interest, and redemption terms are set forth in the 2024A Series Supplement and are consistent with the provisions of the Series 2024A Bonds as described in the Official Statement.

### **Establishment of Funds**

The 2024A Series Supplement creates the following funds to be held by the Trustee:

1. the 2024A Cost of Issuance Fund;
2. the 2024A Project Fund;
3. the 2024A Bond Debt Service Fund; and
4. the 2024A Rebate Fund.

On the date of issuance of the Series 2024A Bonds, the Trustee shall apply the amounts received from the underwriters of the Series 2024A Bonds in payment therefor to the 2024A Cost of Issuance Fund and the 2024A Project Fund as provided in the 2024A Series Supplement.

The money and investments held in the 2024A Project Fund and in the 2024A Bond Debt Service Fund are pledged to secure the Series 2024A Bonds.

### **Cost of Issuance Fund**

HRTAC shall apply the amounts in the 2024A Cost of Issuance Fund to pay the issuance and financing costs of the Series 2024A Bonds. Any amount deposited in the 2024A Cost of Issuance Fund that is not applied in accordance with the Master Indenture to pay the costs of issuance of the Series 2024A Bonds shall be transferred by HRTAC to the Project Fund and applied as set forth below.

### **Project Fund**

The Trustee will apply the amounts in the 2024A Project Fund to the payment or reimbursement of the costs of the HRELN Project as directed by HRTAC. Disbursements from the 2024A Project Fund shall be made by the

Trustee to HRTAC or as directed by HRTAC upon receipt by the Trustee of a requisition signed by an HRTAC Representative and containing all information called for by the 2024A Series Supplement.

### **Bond Debt Service Fund**

Each monthly transfer into the 2024A Bond Debt Service Fund under the Master Indenture shall be in an amount not less than the sum of (i) one-sixth of the interest due on the Series 2024A Bonds on the next ensuing Interest Payment Date, plus (ii) one-twelfth of the principal due on the Series 2024A Bonds at maturity or upon mandatory redemption on the next ensuing Principal Payment Date, less (iii) accrued interest and any other interest earnings currently on deposit therein.

### **Rebate Fund**

The Trustee shall invest and apply amounts on deposit in the 2024A Rebate Fund as directed by Officer's Certificates provided pursuant to and in accordance with the Master Indenture.

### **Tax Regulatory Agreement**

HRTAC agrees that it will not directly or indirectly use or permit the use of the proceeds of the Series 2024A Bonds except in accordance with the 2024A Tax Regulatory Agreement. HRTAC agrees that it will not take any action, or omit to take any action, if any such action or omission would adversely affect the excludability from gross income of interest on the Series 2024A Bonds under Section 103 of the Tax Code. HRTAC agrees that it will not directly or indirectly use or permit the use of any proceeds of the Series 2024A Bonds or any other funds of HRTAC or take or omit to take any action that would cause the Series 2024A Bonds to be "arbitrage bonds" under Section 148(a) of the Tax Code. To these ends, HRTAC will comply with all requirements of Sections 141 through 150 of the Tax Code, including Section 148(f)(2) and (3) of the Tax Code, to the extent applicable to the Series 2024A Bonds.

The Trustee agrees to comply with all written instructions of an HRTAC Representative given in accordance with the 2024A Tax Regulatory Agreement, but the Trustee shall not be required to ascertain whether the instructions comply with the 2024A Tax Regulatory Agreement. The Trustee shall be entitled to receive and may request from time to time from HRTAC written instructions from a nationally-recognized bond counsel acceptable to the Trustee regarding the interpretation of Sections 141 through 150 of the Tax Code, and the Trustee agrees that it will comply with such instructions (upon which the Trustee and HRTAC may conclusively rely) so as to enable HRTAC to perform its covenants under the Master Indenture and the 2024A Series Supplement.

Notwithstanding any provisions of the 2024A Series Supplement, if HRTAC shall provide to the Trustee an opinion of nationally-recognized bond counsel addressed and acceptable to HRTAC and the Trustee to the effect that any action required under the 2024A Series Supplement by incorporation or otherwise is not required or is no longer required to maintain the excludability from gross income of the interest on the Series 2024A Bonds under Section 103 of the Tax Code, HRTAC and the Trustee may rely conclusively on such opinion in complying with the provisions of the Master Indenture and the 2024A Series Supplement.

## **APPENDIX B**

### **FINANCIAL STATEMENTS OF HRTAC FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

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# **HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION**



**A COMPONENT UNIT OF THE  
COMMONWEALTH OF VIRGINIA**

## **FINANCIAL AND COMPLIANCE REPORTS**

**YEAR ENDED JUNE 30, 2024**



ASSURANCE, TAX & ADVISORY SERVICES

# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

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## **INTRODUCTORY SECTION**

# **HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION**

## **DIRECTORY OF PRINCIPAL OFFICIALS**

### ***Voting Members***

Dr. Richard W. “Rick” West, Chair, City of Chesapeake  
Douglas G. Pons, Vice Chair, City of Williamsburg

Kenneth C. Alexander, City of Norfolk  
Christopher D. Cornwell, Sr., Southampton County  
Robert M. Dyer, City of Virginia Beach  
Michael J. Hipple, James City County  
Gordon C. Helsel, City of Poquoson  
L. Louise Lucas, Virginia Senate  
Mamie Locke, Virginia Senate  
William M. McCarty, Isle of Wight County  
Bonita Anthony, Virginia House of Delegates  
Phillip Jones, City of Newport News  
Robert “Bobby” Cutchins, City of Franklin  
Shannon E. Glover, City of Portsmouth  
Thomas G. Shepperd, York County  
Michael D. Duman, City of Suffolk  
Donnie R. Tuck, City of Hampton  
Jackie H. Glass, Virginia House of Delegates  
Anne Ferrell H. Tata, Virginia House of Delegates

### ***Non-Voting Members***

Stephen Brich, Commissioner of Highways, VDOT  
Zach Togden, Acting Director of DRPT  
Frederick T. Stant, III, Member, Commonwealth Transportation Board  
Stephen A. Edwards, Executive Director, Virginia Port Authority

### ***Commission Staff***

Kevin B. Page, Executive Director  
Jennifer D. Hodnett, Executive Assistant  
Lynn Coen, Senior Accounting Manager  
Danetta M. Jankosky, Senior Accounting Manager

### ***Support Staff***

Sheila Wilson, Chief Financial Officer  
Jaquil Tatum, Senior Accounting Manager  
Quanda Tynes, Accounting Manager II  
Otesa Mitchell, Accounting Manager

## **FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

To the Honorable Commission Board Members  
Hampton Roads Transportation Accountability Commission

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the financial statements of the governmental activities and each major fund of the Hampton Roads Transportation Accountability Commission (Commission), a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Commission, as of June 30, 2024, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the *Specifications for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards and specifications are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the required supplementary information on pages 4-10 and 47-50, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The schedule of general and administrative expenditures and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of general and administrative expenditures and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the introductory section as listed in the table of contents but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2024 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

***PBMares, LLP***

Harrisonburg, Virginia  
September 27, 2024

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**



## **HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION MANAGEMENT'S DISCUSSION AND ANALYSIS**

This discussion and analysis of Hampton Roads Transportation Accountability Commission's (the Commission) financial performance provides an overview of the Commission's financial activities for the fiscal year ended June 30, 2024.

The Commission is a political subdivision of the Commonwealth of Virginia, created April 3, 2014 by the Hampton Roads Transportation Accountability Commission Act, Title 15.2, of the *Code of Virginia* (HB1253 & SB513) and became effective July 1, 2014. The Commission's primary function is determining how the Hampton Roads Transportation Fund (HRTF) (HB2313 of the 2013 Acts of Assembly) regional Sales and Use Tax and Fuel Tax monies will be invested in new construction projects on new or existing highways, bridges, and tunnels in the localities comprising Planning District 23. The Hampton Roads Regional Transit Fund (HRRTF) (HB 1726 and SB 1038 of the 2020 Acts of Assembly) Regional Transportation District Transient Occupancy Tax, Regional Transportation Improvement Fee (Grantors Tax), and \$20 million of Statewide Recordation Tax Revenues will be invested in a core connected transit network. The HRTF function includes an improvement program development, required by the *Virginia Code* to give priority to those projects that are expected to provide the greatest impact on reducing congestion for the greatest number of citizens residing within Planning District 23. The HRRTF function includes the supporting member jurisdictions (currently the cities of Virginia Beach, Chesapeake, Norfolk, Portsmouth, Newport News, and Hampton) subject to the taxes imposed pursuant to Section 58.1-802.4 of the *Virginia Code* and Section 58.1-1743 of the *Virginia Code* approving projects to the development, maintenance, improvement, and operation of a core and connected regional network of transit routes and related infrastructure, rolling stock, and support facilities, to include the operation of a regional system of interjurisdictional, high-frequency bus service, in a transportation district in Hampton Roads created pursuant to § 33.2-1903 as included in the strategic plans and regional transit planning process developed pursuant to § 33.2-286.

In furtherance of its statutory purposes, especially congestion relief, many of the projects the Commission funds are located on major interstate highways owned by the Virginia Department of Transportation (VDOT), and the Commission enters into various agreements with VDOT for the funding of such projects. The Commission's role is principally as a funding source, including with monies generated from the issuance of Commission debt, and the Commission does not own such projects or the assets that it funds, nor does it participate in their construction or operation. Neither VDOT nor the Commonwealth is obligated to pay the Commission's debt, nor is any of such debt guaranteed or backed by the Commonwealth's full faith and credit.

The Commission member jurisdictions are 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 Commission has 23 members as follows: the chief elected official of each of the ten cities and a current elected official of each of the four counties that are members of the Commission; and five members of the General Assembly (two senators and three delegates). The counties embraced by the Commission must appoint by resolution a current member from its governing body to serve as its member on the Commission. In addition, there are four non-voting ex-officio members, one each from the Virginia Department of Rail and Public Transportation, the Commonwealth Transportation Board, the Virginia Department of Transportation, and the Virginia Port Authority.

## **FINANCIAL HIGHLIGHTS**

### **Highlights for Government-wide Financial Statements**

The government-wide financial statements report information on all activities of the Commission as a whole, using the economic resources measurement focus and accrual basis of accounting.

- Liabilities and deferred inflows of resources of the Commission exceeded its assets and deferred outflows of resources for the year ended June 30, 2024 by \$1,085,322,372. The increase in negative net position is due mainly to the issuance of new debt and the use of cash for the payment of project costs, debt service, and operating expenses, which exceeded the revenue received during the year.
- For the fiscal year ended June 30, 2024, regional tax revenues for the Commission's governmental activities totaled \$298.9 million in addition to \$92.7 million in investment income and \$50,000 in other income. Expenses totaled \$623.9 million; \$570.8 million represents project funding in accordance with HB2313 (HRTF) and HB1726 (HRRTF), and \$53.1 million represents reimbursement of authorized administrative costs, most of which was interest expense on bond proceeds (\$48.3million).

### **Highlights for Fund Financial Statements**

The fund financial statements provide detailed information about the Commission's funds using the current financial resources measurement focus and modified accrual basis of accounting.

- The Commission's Capital Project Fund, established in the fiscal year 2018, reported a decrease in fund balance of \$287,564,304 for a fund balance of \$86,611,561 as of June 30, 2024. This decrease is the net effect of draws on two TIFIA loans, the defeasance of a BAN, and Project cost distributions (VDOT construction invoices). Once these projects are completed, they are a VDOT capital asset.
- The Commission's Special Revenue Fund (HRTF), established in fiscal year 2016, reported an increase in fund balance of \$245,956,807 for a fund balance of \$1,587,084,473 as of June 30, 2024. This increase is due to Project cost distributions (VDOT construction invoices) being lower than all revenues.
- The Commission's Special Revenue Fund (HRRTF), established in fiscal year 2021, reported an increase in fund balance of \$20,229,605 for a fund balance of \$92,613,351 as of June 30, 2024. This increase is due to tax revenue being higher than Project cost distributions (HRT project invoices).
- The Commission's Debt Service Fund, established in fiscal year 2019, has a fund balance of \$687,976 due to interest earned during the last six months of the fiscal year.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis provided here is intended to serve as an introduction to the Commission's basic financial statements. The Commission's basic financial statements consist of three components: government-wide financial statements, fund financial statements, and the notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

The financial statements presented include all the activities which are part of the Commission reporting entity using the integrated approach as prescribed by the Governmental Accounting Standards Board (GASB). The government-wide financial statements present the financial picture of the Commission's governmental activities from the economic resources' measurement focus using the accrual basis of accounting. The fund financial statements include a separate column for each of the major governmental funds. The governmental funds are prepared using the current financial resources measurement focus and modified accrual basis of accounting. A reconciliation of the fund financial statements to the government-wide financial statements is provided to explain the differences created by the integrated approach.

### **Government-Wide Financial Statements**

The government-wide financial statements consist of the Statement of Net Position and the Statement of Activities, with the governmental activities combined. The Statement of Net Position presents the assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the Commission with the difference reported as net position. The Statement of Activities shows in broad terms changes to net position during the fiscal year.

Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Commission is improving or declining. Net position is one way to measure financial position but the reader should also consider other indicators, such as general economic conditions.

The Statement of Activities presents information indicating how the Commission's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will result in cash flows in future fiscal periods.

General revenue consists of investment earnings and losses used to cover the Commission's administrative expenses, and Special revenues include the following intergovernmental revenues: sales and use tax and fuel tax collected on behalf of the HRTF, and regional transient occupancy tax, regional grantors tax, and statewide recordation tax collected on behalf of the HRRTF and remitted from the Commonwealth of Virginia. These tax receipts commenced July 1, 2013 (HRTF) and July 1, 2020 (HRRTF).

### **Fund Financial Statements**

A fund is a grouping of related accounts used to maintain control over resources which have been segregated for specific activities or objectives. The Commission, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Commission only reports governmental funds. The Commission does not operate proprietary funds nor does it maintain fiduciary funds at this time. The governmental funds of the Commission are presented using four fund types: General Fund, Special Revenue Funds, Capital Project Fund, and Debt Service Fund.

### **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of government funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures and Change in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

As mentioned above, the Commission maintains four types of governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances for each of these funds. The General Fund includes the Commission's operating activities including the cost of the Commission's four-member staff.

The Special Revenue Funds report revenue received by the Commission and used to fund prioritized projects on new or existing highways, bridges and tunnels in the localities comprising Planning District 23 (HRTF) as well as revenues used to fund the improvement of transit routes, supporting facilities, and bus service (HRRTF). The Capital Project Fund reports interest earned on unexpended bond proceeds, cost of bond issuance, and project cost distributions. The Debt Service Fund reports interest earned on funds set aside for the payment of principal and interest. Interest is paid January 1 and July 1 of each fiscal year.

The Commission adopts an annual appropriated budget for its General Fund. An internal budgetary comparison statement is maintained for the General Fund to demonstrate compliance with this budget.

### **Notes to the Basic Financial Statements**

The notes to the financial statements provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements.

### **Required Supplementary Information**

The Required Supplementary Information provides additional information that is required by accounting principles generally accepted in the United States to be presented as a supplement to the basic financial statements.

### **Supplementary Information**

Additional information is presented as a supplement to the basic financial statements. Although not required to be presented and not part of the basic financial statements, the schedules are included to provide additional information of interest to certain financial statement users.

## **FINANCIAL ANALYSIS OF THE REPORTING ENTITY'S FUNDS**

### **Statement of Net Position**

The following table presents a summary of the Statement of Net Position for the Commission as of June 30, 2024. Data for June 30, 2023 has been included for comparison purposes.

#### **Summary of Net Position June 30, 2024 and 2023**

	Governmental Activities			%
	2024	2023	Change	
Assets and Deferred Outflows of Resources:				
Current and other assets	\$ 1,853,183,943	\$ 1,924,597,502	\$ (71,413,559)	-3.7%
Deferred outflows of resources	72,034	63,697	8,337	13.1%
<b>Total assets and deferred outflows of resources</b>	<b>1,853,255,977</b>	<b>1,924,661,199</b>	<b>(71,405,222)</b>	
Liabilities:				
Current and other liabilities	2,886,406,475	2,699,494,373	186,912,102	6.9%
Deferred inflows of resources	52,171,874	78,232,563	(26,060,689)	-33.3%
<b>Total liabilities and deferred inflows of resources</b>	<b>2,938,578,349</b>	<b>2,777,726,936</b>	<b>160,851,413</b>	
Net Position:				
Net investment in capital assets	12,953	4,372	8,581	196.3%
Unrestricted	(1,085,335,325)	(853,070,109)	(232,265,216)	-27.2%
<b>Total net position</b>	<b>\$ (1,085,322,372)</b>	<b>\$ (853,065,737)</b>	<b>\$ (232,256,635)</b>	

As noted earlier, net position may serve as a useful indicator of a government's financial position. In the case of the Commission, liabilities and deferred inflows of resources exceeded assets and deferred outflows by \$1,085,322,372 at June 30, 2024 and mostly represents resources subject to external restriction.

Current assets consist primarily of amounts due from the Commonwealth of Virginia, cash and cash equivalents, and restricted cash and cash equivalents. As of June 30, 2024, approximately \$59.0 million was due from the Commonwealth of Virginia, which is restricted for prioritized projects on new or existing highways, bridges, and tunnels in the localities comprising Planning District 23, as well as transit projects in a transportation district in Hampton Roads.

On April 18, 2024, the Commission approved a new medical insurance retirement benefit for long-term employees. To conform with GASB Statements No. 68 and 75, as mandated by Government Accounting Standards, the Commission must record all total unfunded liabilities. These liabilities are primarily long-term liabilities, based on actuarial studies of the activity in the Virginia Retirement System. Therefore, actual results could differ substantially. The current liability of \$189,073 will be funded in the next fiscal year.

## Statement of Activities

The following table presents the revenues, expenses and change in net position of the Commission for the fiscal year ended June 30, 2024. Data for June 30, 2023 has been included for comparison purposes.

### Summary of Changes in Net Position Years Ended June 30, 2024 and 2023

	Governmental Activities			% Change
	2024	2023	Change	
Revenues:				
General revenue:				
Intergovernmental	\$ 298,925,351	\$ 289,157,143	\$ 9,768,208	3.4%
Investment earnings	92,661,336	70,708,328	21,953,008	31.0%
Loss on investments	-	(3,751,208)	3,751,208	-100.0%
Other income	50,000	-	50,000	-
<b>Total revenues</b>	<b>391,636,687</b>	<b>356,114,263</b>	<b>35,522,424</b>	
Expenses:				
General and administrative	1,445,173	1,268,298	176,875	13.9%
Investment fees	427,781	397,818	29,963	7.5%
Professional services	2,036,006	408,417	1,627,589	398.5%
Cost of issuance	882,190	1,001,805	(119,615)	-11.9%
Interest expense	48,277,225	47,849,506	427,719	0.9%
Project cost distributions	570,824,947	455,016,656	115,808,291	25.5%
<b>Total expenses</b>	<b>623,893,322</b>	<b>505,942,500</b>	<b>117,950,822</b>	
<b>Change in net position</b>	<b>(232,256,635)</b>	<b>(149,828,237)</b>	<b>(82,428,398)</b>	<b>55.0%</b>
Net Position, beginning	<b>(853,065,737)</b>	<b>(703,237,500)</b>	<b>(149,828,237)</b>	<b>21.3%</b>
Net Position, ending	<b>\$ (1,085,322,372)</b>	<b>\$ (853,065,737)</b>	<b>\$ (232,256,635)</b>	<b>27.2%</b>

For the fiscal year ending June 30, 2024, revenues totaled approximately \$391.6 million. Expenses totaled approximately \$623.9 million. A discussion of the key components of the revenue and expense is included in the funds' analysis.

## **FINANCIAL ANALYSIS OF THE REPORTING ENTITY'S FUNDS**

### Governmental Funds

As noted earlier, the Commission uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the Commission's governmental funds is to provide information on near-term inflows, outflows, and balance of spendable resources. Such information is useful in assessing the needs of the Commission's financing requirements.

**General Fund.** The General Fund is the operating fund of the Commission. It is currently funded by transfers of investment earnings, if available, with any additional costs covered from the Special Revenue fund per legislative action HB1111 of the 2016 Acts of Assembly and shared pro rata with revenues of the HRRTF per legislative action HB 1726 and SB 1038 of the 2020 Acts of Assembly. Any investment income not required for General Fund use is retained in the Special Revenue funds.

**Special Revenue Funds.** The Commission established special revenue funds which are categorized as major funds in the governmental fund statements. These funds are used to report the intergovernmental revenue received from the Commonwealth of Virginia.

**Capital Project Fund.** The Commission established a capital project fund during fiscal year 2018 which is categorized as a major fund in the governmental fund statements. This fund is used to report bond issuance expense, bond issuance premium and project cost distributions.

**Debt Service Fund.** The Commission established a debt service fund during fiscal year 2019 which is categorized as a major fund in the governmental fund statements. This fund is used to report investment earnings and bond interest expense.

### **Economic Factors and the Fiscal Year 2025 Budget**

- Hampton Roads is both a nationally and globally significant region. It is categorized as having a broad, diverse, and stable regional economy. The region is the driver of economic activity for the Commonwealth of Virginia.
- The fiscal year 2025 budget is based on an analysis of trending revenues.

The Commission's General Fund, Special Revenue Fund, and Capital Project Fund operating budgets decreased from \$8,368,402 in fiscal year 2024 to \$6,962,793 in fiscal year 2025. This decrease of \$1,405,609 is due mainly to a reduction in debt issuance costs and related professional studies.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Commission's finances for all those interested. If you have any questions about this report or need additional financial information, contact Kevin Page, Executive Director, Hampton Roads Transportation Accountability Commission, 723 Woodlake Drive, Chesapeake, Virginia, 23320, or by e-mail to [kpage@hrtac.org](mailto:kpage@hrtac.org).

## **BASIC FINANCIAL STATEMENTS**



# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## STATEMENT OF NET POSITION

June 30, 2024

	Governmental Activities
<b>ASSETS</b>	
Due from the Commonwealth of Virginia	\$ 58,971,878
Accrued investment income	3,686,049
Prepaid items	157,145,334
Restricted cash, cash equivalents and investments	1,633,253,946
Net pension asset	113,783
Capital assets, net	12,953
<b>Total assets</b>	<b>1,853,183,943</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension plan	72,034
<b>Total deferred outflows of resources</b>	<b>72,034</b>
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	260,405
Accrued interest payable	29,645,050
Accrued liabilities	8,827
Due to other governments	3,630,771
Due to Virginia Department of Transportation	52,571,876
<b>Total current liabilities</b>	<b>86,116,929</b>
Long-term liabilities	
Compensated absences	160,673
Other post-employment benefits	189,073
Long-term debt	2,799,939,800
<b>Total long-term liabilities</b>	<b>2,800,289,546</b>
<b>Total liabilities</b>	<b>2,886,406,475</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred gain on defeasance	52,114,764
Pension plan	57,110
<b>Total deferred inflows of resources</b>	<b>52,171,874</b>
<b>NET POSITION</b>	
Net investment in capital assets	12,953
Unrestricted	(1,085,335,325)
<b>Total net position</b>	<b>\$ (1,085,322,372)</b>

# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## STATEMENT OF ACTIVITIES

Year Ended June 30, 2024

	Expenses	Net (Expense) Revenue and Change in Net Position Governmental Activities
Functions/Programs		
Governmental activities:		
General and administrative	\$ 1,445,173	\$ (1,445,173)
Investment fees	427,781	(427,781)
Professional services	2,036,006	(2,036,006)
Cost of debt issuance	882,190	(882,190)
Interest expense	48,277,225	(48,277,225)
Project cost distributions	570,824,947	(570,824,947)
<b>Total governmental activities</b>	<b>\$ 623,893,322</b>	<b>(623,893,322)</b>
General revenues:		
Intergovernmental revenue:		
Motor fuel tax		67,080,824
Sales and use tax		196,531,605
Regional transit improvement fees		5,590,076
Transient occupancy tax		9,722,846
State recordation tax		20,000,000
Investment earnings		92,661,336
Other income		50,000
<b>Total general revenues</b>		<b>391,636,687</b>
<b>Change in net position</b>		<b>(232,256,635)</b>
Net Position, beginning of year		(853,065,737)
Net Position, end of year		<u><u>\$ (1,085,322,372)</u></u>

# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2024

	General Fund	Special Revenue HRTF	Special Revenue HRRTF	Capital Project Fund	Debt Service Fund	Total Governmental Funds
<b>ASSETS</b>						
Due from the Commonwealth of Virginia	\$ -	\$ 56,266,620	\$ 2,705,258	\$ -	\$ -	\$ 58,971,878
Due from other funds	46,085	26,664	-	-	-	72,749
Accrued investment income	-	3,686,049	-	-	-	3,686,049
Prepaid items	8,152	156,178,035	942,064	17,083	-	157,145,334
Restricted cash, cash equivalents, and investments	8,827	1,411,296,659	91,664,372	129,596,112	687,976	1,633,253,946
<b>Total assets</b>	<b>\$ 63,064</b>	<b>\$ 1,627,454,027</b>	<b>\$ 95,311,694</b>	<b>\$ 129,613,195</b>	<b>\$ 687,976</b>	<b>\$ 1,853,129,956</b>
<b>LIABILITIES</b>						
Accounts payable	\$ 24,227	\$ 89,335	\$ 5,188	\$ 141,655	\$ -	\$ 260,405
Accrued interest payable	-	-	-	29,645,050	-	29,645,050
Accrued liabilities	8,827	-	-	-	-	8,827
Due to other governments	87,093	923,272	2,620,406	-	-	3,630,771
Due to Virginia Department of Transportation	-	39,356,947	-	13,214,929	-	52,571,876
Due to other funds	-	-	72,749	-	-	72,749
<b>Total liabilities</b>	<b>120,147</b>	<b>40,369,554</b>	<b>2,698,343</b>	<b>43,001,634</b>	<b>-</b>	<b>86,189,678</b>
<b>FUND BALANCES</b>						
Nonspendable	8,152	156,178,035	942,064	17,083	-	157,145,334
Restricted	-	1,430,906,438	91,671,287	86,594,478	687,976	1,609,860,179
Unassigned	(65,235)	-	-	-	-	(65,235)
<b>Total fund balances</b>	<b>(57,083)</b>	<b>1,587,084,473</b>	<b>92,613,351</b>	<b>86,611,561</b>	<b>687,976</b>	<b>1,766,940,278</b>
<b>Total liabilities and fund balances</b>	<b>\$ 63,064</b>	<b>\$ 1,627,454,027</b>	<b>\$ 95,311,694</b>	<b>\$ 129,613,195</b>	<b>\$ 687,976</b>	<b>\$ 1,853,129,956</b>

# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION June 30, 2024

		Governmental Funds
Reconciliation of fund balances on the Balance Sheet for the governmental funds to the net position of the governmental activities on the Statement of Net Position:		
Fund balances - governmental funds		\$ 1,766,940,278
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Deferred outflows of resources represent a consumption of net position that applies to a future period and, therefore, are not recognized as expenditures in the governmental funds until then.		
Pension plan		72,034
Net pension asset		113,783
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental fund.		
Capital assets	\$ 14,573	
Less - accumulated depreciation and amortization	(1,620)	
		12,953
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Compensated absences	(160,673)	
Other post-employment benefits	(189,073)	
Bonds and TIFIA loan payable	(2,651,497,637)	
Bond premiums	(148,442,163)	
		(2,800,289,546)
Deferred inflows of resources represent an acquisition of net position that applies to a future period and, therefore, are not recognized in the governmental funds until then.		
Deferred gain on defeasance	(52,114,764)	
Pension plan	(57,110)	
		(52,171,874)
<b>Net position of governmental activities</b>		<b>\$ (1,085,322,372)</b>

# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS Year Ended June 30, 2024

	General Fund	Special Revenue HRTF	Special Revenue HRRTF	Capital Project Fund	Debt Service Fund	Total Governmental Funds
<b>Revenues</b>						
Intergovernmental:						
Motor fuel tax	\$ -	\$ 67,080,824	\$ -	\$ -	\$ -	\$ 67,080,824
Sales and use tax	-	196,531,605	-	-	-	196,531,605
Regional transit improvement fees	-	-	5,590,076	-	-	5,590,076
Transient occupancy tax	-	-	9,722,846	-	-	9,722,846
State recordation tax	-	-	20,000,000	-	-	20,000,000
Investment earnings	-	77,617,281	4,732,369	9,318,544	993,142	92,661,336
Other Income	50,000	-	-	-	-	50,000
<b>Total revenues</b>	<b>50,000</b>	<b>341,229,710</b>	<b>40,045,291</b>	<b>9,318,544</b>	<b>993,142</b>	<b>391,636,687</b>
<b>Expenditures</b>						
Current:						
General and administrative	1,001,070	38,215	235,927	-	-	1,275,212
Investment fees	-	427,781	-	-	-	427,781
Professional services	-	198,059	-	1,837,947	-	2,036,006
Cost of debt issuance	-	2,440	-	879,750	-	882,190
Interest expense	-	-	-	-	79,975,619	79,975,619
Project cost distributions	-	248,308,015	19,541,203	302,975,729	-	570,824,947
<b>Total expenditures</b>	<b>1,001,070</b>	<b>248,974,510</b>	<b>19,777,130</b>	<b>305,693,426</b>	<b>79,975,619</b>	<b>655,421,755</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(951,070)</b>	<b>92,255,200</b>	<b>20,268,161</b>	<b>(296,374,882)</b>	<b>(78,982,477)</b>	<b>(263,785,068)</b>
<b>Other Financing Sources (Uses)</b>						
Transfers in	1,076,412	207,914,517	179,021	150,236,363	79,384,328	438,790,641
Transfers out	(188,950)	(54,212,910)	(217,577)	(384,171,204)	-	(438,790,641)
Issuance of debt	-	-	-	235,118,729	-	235,118,729
Bond premiums	-	-	-	7,626,690	-	7,626,690
<b>Total other financing sources (uses), net</b>	<b>887,462</b>	<b>153,701,607</b>	<b>(38,556)</b>	<b>8,810,578</b>	<b>79,384,328</b>	<b>242,745,419</b>
<b>Net change in fund balances</b>	<b>(63,608)</b>	<b>245,956,807</b>	<b>20,229,605</b>	<b>(287,564,304)</b>	<b>401,851</b>	<b>(21,039,649)</b>
Fund Balances, beginning of year	6,525	1,341,127,666	72,383,746	374,175,865	286,125	1,787,979,927
Fund Balances (Deficit), end of year	\$ (57,083)	\$ 1,587,084,473	\$ 92,613,351	\$ 86,611,561	\$ 687,976	\$ 1,766,940,278

# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES Year Ended June 30, 2024

	Governmental Funds
Amounts reported for governmental activities in the Statement of Activities are different because:	
Net changes in fund balances - total governmental funds	\$ (21,039,649)
Deferred outflows of resources:	
Pension plan contributions subsequent to measurement date	66,764
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Pension items	(41,523)
Other post-employment benefits	(189,073)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense.	
Capital outlay	\$ 10,201
Depreciation and amortization	(1,620)
	8,581
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. The transaction, however, does not have any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
Issuance of new debt	(235,118,729)
Bond premium	(7,626,690)
Amortization of bond premiums	5,641,006
Amortization of gain on defeasance	26,057,388
Compensated absences	(14,710)
	(211,061,735)
<b>Change in net position of governmental activities</b>	<b>\$ (232,256,635)</b>

# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### **Note 1. Summary of Significant Accounting Policies**

The financial statements of the Hampton Roads Transportation Accountability Commission (Commission) have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing U.S. GAAP for state and local governments through its pronouncements (Statements and Interpretations).

#### **A. Reporting Entity**

The Commission is an independent political subdivision of the Commonwealth of Virginia (Commonwealth), created in 2014 by House Bill 1253 (HB1253) and Senate Bill 513 (SB513). The Commission has sovereign power, and its operations and resources are not subjected to the control, direction or oversight of the Commonwealth. The Commission member jurisdictions are 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 Commission has 23 members as follows: the chief elected official of each of the ten cities and a current elected official of each of the four counties that are members of the Commission; and, five members of the General Assembly (two senators and three delegates). The counties embraced by the Commission must appoint by resolution a current member from its governing body to serve as its member on the Commission. In addition, there are four non-voting ex-officio members, one each from the Virginia Department of Rail and Public Transportation, the Commonwealth Transportation Board, the Virginia Department of Transportation, and the Virginia Port Authority.

Currently, the Commission's primary undertaking is to provide funding for regional transportation purposes in the Hampton Roads region. A significant part of this activity presently consists of allocating and leveraging funding from the Hampton Roads Transportation Fund (established by HB2313 of the 2013 Acts of Assembly and containing regional sales tax and use tax and motor fuel tax monies) to new construction projects on new or existing highways, bridges, and tunnels in member localities, with priority given to those projects that are expected to provide the greatest impact on reducing congestion for the greatest number of citizens residing within Planning District 23.

All moneys received by the Commission are required to be used solely for transportation purposes benefiting the member jurisdictions, as outlined above.

Although the Commission's economic resources are not for the direct benefit of the Commonwealth and the Commonwealth is not obligated by the debt of the Commission, the Comptroller has determined that, 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, it would be misleading to exclude the Commission from the Commonwealth's audited financial statements. Thus, solely for financial reporting purposes, the Commonwealth has decided to include the Commission as a component unit of the Commonwealth. A separate report is prepared for the Commonwealth of Virginia, which includes all agencies, boards, commissions, and authorities determined to meet the component unit definition. Based on the Comptroller's decision to treat the Commission as a blended component unit, the Commission is an integral part of the reporting entity of the Commonwealth of Virginia; accordingly, all funds of the Commission are included in the financial statements of the Commonwealth as part of the reporting entity.

# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### B. Government-wide and Fund Financial Statements

The government-wide financial statements (Statement of Net Position and Statement of Activities) report information of the governmental activities supported by intergovernmental revenues.

The government-wide Statement of Net Position reports net position as restricted when externally imposed constraints are in effect. Internally imposed designations of resources are not presented as restricted net position.

The government-wide Statement of Activities is designed to report the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include contributions that are restricted to meet the operational requirements of a particular function.

Separate fund financial statements are provided for each of the governmental funds. In the fund financial statements, financial transactions and accounts of the Commission are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The governmental funds are reported on a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances (fund equity). Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the government-wide financial statements.

#### C. Measurement Focus and Basis of Accounting

**Government-wide Financial Statements** – Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Intergovernmental revenues, consisting of taxes from the Commonwealth of Virginia, are recognized in the period the funding is collected at the point of sale.

**Governmental Fund Financial Statements** – The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. The Commission considers revenues to be available if they are collected within 75 days after year end. Expenditures are recorded when a liability is incurred under the full accrual method of accounting. The individual governmental funds are:

*General Fund* – The General Fund is the primary operating fund of the Commission and is used to account for and report all revenues and expenditures applicable to the general operations of the Commission which are not accounted for in other funds. Revenues are derived primarily from transfers from the Special Revenue Funds. The General Fund is considered a major fund for financial reporting purposes.



# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### C. Measurement Focus and Basis of Accounting (Continued)

*Special Revenue Funds* – The Commission has two Special Revenue Funds. The Special Revenue Hampton Roads Transportation Fund (HRTF) and Special Revenue Hampton Roads Regional Transit Fund (HRRTF) account for and report the proceeds of specific revenue sources restricted or committed to expenditures for specified purposes. The Special Revenue Funds are considered major funds for financial reporting purposes.

*Capital Projects Fund* – The Capital Projects Fund accounts for and reports the proceeds from the Commission's debt issuances and the expenditures associated with these financial instruments. The Capital Projects Fund transfers money to the Special Revenue Funds to cover costs incurred within the Special Revenue Funds that are approved to be paid from the debt proceeds and not local revenue sources. The Commission has one Capital Projects Fund. The Capital Projects Fund is considered a major fund for financial reporting purposes.

*Debt Service Fund* – The Debt Service Fund accounts for and reports the financial resources that are restricted or committed for expenditures related to principal and interest obligations. The Debt Service Fund is considered a major fund for financial reporting purposes.

#### D. Budgeting

The Commission adopts an annual operating budget for the planning and administrative activities of the General Fund. The budgeting process enables the Commission to determine the annual transfers required from the Special Revenue Funds to fund its general and administrative activities. Accumulated fund balances in excess of anticipated minimum operating cash requirements are used as a revenue source in subsequent budgets.

#### E. Other Significant Accounting Policies

##### 1. Cash and Cash Equivalents

Cash equivalents include all highly liquid investments with maturities of three months or less.

##### 2. Restricted Cash, Cash Equivalents and Investments

Restricted cash, cash equivalents and investments as reported in the Statement of Net Position and Balance Sheets are comprised of intergovernmental deposits and unspent bond proceeds that shall be used solely for regional highways, bridges and tunnel transportation projects benefiting the member jurisdictions.

##### 3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements using the consumption method. See Note 13 for more information.

# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### E. Other Significant Accounting Policies (Continued)

##### 4. Capital Assets

Capital assets include property and equipment and computer hardware with an individual cost of more than \$5,000 and an estimated useful life in excess of one year. For constructed assets, all costs necessary to bring assets to the condition and location necessary for the intended use are capitalized. Repairs and maintenance are charged to operations as incurred. Additions and betterments are capitalized. The cost of assets retired and accumulated depreciation are removed from the accounts.

Depreciation and amortization of all exhaustible equipment, leasehold improvements and intangibles is charged as an expense against operations using the straight-line method over the following estimated useful lives:

<u>Asset Category</u>	<u>Useful Life (years)</u>
Office Furniture and Equipment	5
Automobiles	5
Software	5

When, in the opinion of management, certain assets are impaired, any estimated decline in value is accounted for as a non-operating expense. There were no impaired assets as of June 30, 2024.

Funding of transportation capital projects: For projects approved and funded by the Commission, the Commission does not take ownership of such projects. Therefore, these projects are not reflected on the Commission's financial statements.

##### 5. Pensions

The Virginia Retirement System (VRS) Political Subdivision Retirement Plan (the Commission's retirement plan) is a multi-employer, agent plan. For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Commission's retirement plan and the additions to/deductions from the Commission's retirement plan's fiduciary net position have been determined on the same basis as they were reported by the VRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

##### 6. Other Post-employment Benefits

The Commission administers a single-employer defined post-employment health care benefit plan (the Plan). For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, an actuarial valuation was performed as of June 30, 2023, using updated actuarial assumptions. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan.

# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### E. Other Significant Accounting Policies (Continued)

##### 7. Compensated Absences

The Commission's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from the Commission's service up to twice the annual earnings. The liability for such leave is reported as incurred in the government-wide statements. Vacation leave for Commission employees is granted to all full-time employees and is earned based upon the length of employment. The General Fund is responsible for paying the liability for compensated balances for employees.

Accumulated sick leave accrues until employees leave the Commission and will be paid out at 25% of the balance, up to limits established by policy, reflective of years employed.

##### 8. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Gains on defeasance of debt are deferred and amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental fund types recognize gain on defeasance of debt, bond premiums, bond discounts, and bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances and deferred gains on defeasance of debt are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

##### 9. Interfund Transactions

Transactions among Commission funds are treated as revenues and expenditures or expenses within the funds involved if the transaction involved organizations external to the Commission government.

Transactions, which constitute reimbursements to a fund for expenditures initially made from it, which are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the reimbursed fund.

Transactions, which constitute the transfer of resources from a fund receiving revenues to a fund through which the revenues are to be expended, are separately reported in the respective funds' operating statements.

##### 10. Fund Equity

The Commission reports fund balance in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

*Nonspendable fund balance* classification includes amounts that are not in spendable form (such as prepaid items) or are required to be maintained intact (corpus of a permanent fund).

# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### E. Other Significant Accounting Policies (Continued)

##### 10. Fund Equity (Continued)

The Commission reports fund balance in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

*Nonspendable fund balance* classification includes amounts that are not in spendable form (such as prepaid items) or are required to be maintained intact (corpus of a permanent fund).

*Restricted fund balance* classification includes amounts constrained to specific purposes by their providers (higher levels of government), through constitutional provisions, or by enabling legislation.

*Committed fund balance* classification includes amounts constrained to specific purposes by the government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

*Assigned fund balance* classification includes amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official body to which the governing body delegates the authority.

*Unassigned fund balance* classification includes the residual balance of the General Fund that has not been restricted, committed or assigned to specific purposes within the General Fund.

When fund balance resources are available for a specific purpose in more than one classification, the Commission will consider the use of restricted, committed or assigned funds prior to the use of unassigned fund balance as they are needed.

##### 11. Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Commission or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Commission first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

##### 12. Estimates and Assumptions

The preparation of financial statements in conformity with U.S GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### E. Other Significant Accounting Policies (Continued)

##### 13. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expenditure) until then. The Commission currently has items that qualify for reporting in this category and are described in detail in Note 7.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The Commission currently has items which arise under the accrual basis of accounting, that qualify for reporting in this category, deferred gain on defeasance and another described in detail in Note 7.

##### 14. Subsequent Events

Subsequent events have been evaluated through September 27, 2024, which was the date the financial statements were available to be issued.

### Note 2. Deposits and Investments

At June 30, 2024, cash, cash equivalents and investments consisted of the following, at cost, which approximates fair value:

#### Governmental Activities

Cash	\$ 37,889,568
Local Government Investment Pool (LGIP)	966,192,186
TD Bank	489,301,171
State Non-Arbitrage Pool (SNAP)	54,118,554
Wilmington Trust	76,165,534
Atlantic Union Bank	9,586,933
<b>Total restricted</b>	<u>1,633,253,946</u>
<b>Total</b>	<u><u>\$ 1,633,253,946</u></u>

#### Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (SPDA), § 2.2-4400 et seq. of the *Code of Virginia*. Under the SPDA, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and, depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### Note 2. Deposits and Investments (Continued)

#### Investments

Statutes authorize local governments and other public bodies to invest in obligations of the United States or its agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper and certain corporate notes; bankers’ acceptances, repurchase agreements and the State Treasurer’s Local Government Investment Pool (LGIP).

The Commission has adopted a formal investment policy. The goal of the policy is to minimize risk and to ensure the availability of cash to meet Commission expenditures, while generating revenue from the use of funds which might otherwise remain idle. The primary objectives of the Commission’s investment activities in priority order are: safety, liquidity and yield. The policy specifies eligible and ineligible investments; diversification requirements; maximum length of time for various types of investments; and the process for purchasing securities.

#### Investment Policy

Investment	Credit Quality
U.S. Treasury Obligations	Bills, notes and any other obligation or securities issued by or backed by the full faith and credit of the United States Treasury. The final maturity shall not exceed a period of five years from the time of purchase.
Federal Agency/ Government Sponsored Enterprise Obligations	Bonds, notes and other obligations of the United States, and securities guaranteed by any federal government agency or instrumentality or government sponsored enterprise, with a rating of at least “AA” (or its equivalent) by at least two of the following Nationally Recognized Statistical Rating Organizations (NRSROs): Moody’s Investors Service, Inc. (“Moody’s”), Standard & Poor’s (“S&P”), or Fitch Ratings, Inc. (“Fitch”). The final maturity shall not exceed a period of five years from the time of purchase. Any investment in mortgage backed securities or collateralized mortgage obligations shall have a weighted average life that does not exceed five years from the time of purchase.
Municipal Obligations	Bonds, notes and other general obligations of the Commonwealth of Virginia and its agencies, authorities, and political subdivisions upon which there is no default, with a rating of at least AA (or its equivalent) by at least two of the following NRSROs: S&P, Moody’s, or Fitch, matures within three years of the date of purchase, and otherwise meets the requirements of <i>Code of Virginia</i> §2.2-4501.
Commercial Paper	“Prime quality” commercial paper, with a maturity of 270 days or less from the date of purchase, issued by domestic corporations (corporations organized and operating under the laws of the United States or any state thereof) provided that the issuing corporation, or its guarantor, has a short-term debt rating of at least two of the following: P-1 by Moody’s, A-1 by S&P, or F1 by Fitch, and that otherwise meets the requirements of <i>Code of Virginia</i> §2.2-4502.

# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### Note 2. Deposits and Investments (Continued)

#### Investment Policy (Continued)

Investment	Credit Quality
Bankers' Acceptance	Issued by domestic banks or a federally chartered office of a foreign bank, which are eligible for purchase by the Federal Reserve System with a maturity of 180 days or less. The issuing corporation, or its guarantor, must have a short-term debt rating from at least two of the following: P-1 by Moody's, A-1 by S&P, or F1 by Fitch.
Corporate Notes	High quality corporate notes with a final maturity from the time of purchase of five years or less and that meet the following requirements: <ul style="list-style-type: none"><li>a. notes with maturities of no more than three years from the time of purchase shall have received at least two of the following ratings: A by S&amp;P, A by Moody's, or A by Fitch;</li><li>b. notes with maturities no more than five years from the time of purchase shall have received at least two of the following ratings: AA by S&amp;P, Aa by Moody's, or AA by Fitch.</li></ul>
Negotiable Certificates of Deposit and Bank Deposit Notes	Negotiable certificates of deposit and negotiable bank deposit notes of domestic banks and domestic offices of foreign banks that meet the following requirements: <ul style="list-style-type: none"><li>a. notes with maturities of no more than one year from the time of purchase shall have received at least two of the following ratings: A-1 by S&amp;P, P-1 by Moody's, or F1 by Fitch;</li><li>b. Notes with maturities exceeding one year and not exceeding five years from the time of purchase shall have received at least two of the following ratings: AA by S&amp;P, Aa by Moody's, or AA by Fitch.</li></ul>
Bank Deposits and Non-Negotiable Certificates of Deposit	Demand deposits, time deposits, and other deposits that comply with all aspects of SPDA or with §2.2-4518 with a final maturity no more than two years.
Repurchase Agreement	In overnight repurchase agreements provided that the following conditions are met: <ul style="list-style-type: none"><li>a. the contract is fully secured by deliverable U.S. Treasury and Federal Agency/Government Sponsored Enterprise obligations as described in paragraphs 1 and 2 above, including the maximum maturity of three (3) years, having a market value at all times of at least one hundred and two percent (102%) of the amount of the contract;</li><li>b. a Master Repurchase Agreement or specific written Repurchase Agreement governs the transaction;</li><li>c. the securities are free and clear of any lien and held by an independent third-party custodian acting solely as an agent for the Commission, provided such third party is not the seller under the repurchase agreement;</li></ul>

# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### Note 2. Deposits and Investments (Continued)

#### Investment Policy (Continued)

Investment	Credit Quality
Repurchase Agreement (Continued)	<p>d. a perfected first security interest under the Uniform Commercial Code in accordance with book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities are created for the benefit of the Commission;</p> <p>e. the counterparty is a:</p> <ol style="list-style-type: none"> <li>primary government securities dealer who reports daily to the Federal Reserve Bank of New York, or</li> <li>a bank, savings and loan association, or diversified securities broker-dealer having at least \$5 billion in assets and \$500 million in capital and subject to regulation of capital standards by any state or federal regulatory agency; and</li> </ol> <p>f. the counterparty meets the following criteria:</p> <ol style="list-style-type: none"> <li>a long-term credit rating of at least “AA” or the equivalent from an NRSRO;</li> <li>has been in operation for at least five years; and</li> <li>is reputable among market participants.</li> </ol>
Money Market Mutual Funds (Open-Ended Investment Funds)	<p>Shares in open-end, no-load investment funds provided such funds are registered under the Investment Company Act of 1940 and provided that the fund is rated at least AAAM or the equivalent by an NRSRO. The mutual fund must comply with all requirements of Rule 2(a)-7, or any successor rule, of the United States Securities and Exchange Commission, provided the investments by such funds are restricted to investments otherwise permitted by the <i>Code of Virginia</i> for political sub-divisions.</p>
Local Government Investment Pool (LGIP)	<p>A specialized commingled investment program that operates in compliance with GASB Statement No. 79 that was created in the 1980 session of the General Assembly (<i>Code of Virginia</i> §2.2-4700 et seq.) designed to offer a convenient and cost-effective investment vehicle for public funds. The LGIP is administered by the Treasury Board of the Commonwealth of Virginia and is rated AAAM by S&amp;P.</p>
Virginia State Non-Arbitrage Program’s (Virginia SNAP) SNAP Fund	<p>As of June 30, 2024, the Commission had investments of \$54,118,554 in the Commonwealth of Virginia State Non-Arbitrage Program (“SNAP”). SNAP has been established by the Treasury Board of the Commonwealth of Virginia pursuant to the SNAP Act (Chapter 47, Title 2.2, <i>Code of Virginia</i> 1950, as amended) to provide comprehensive investment management, accounting and arbitrage rebate calculation services for proceeds of tax-exempt borrowings and other financings of Virginia Issuers subject to Section 148 (and related sections) of the Internal Revenue Code.</p>



# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### Note 2. Deposits and Investments (Continued)

#### Investment Policy (Continued)

Investment	Credit Quality
Virginia State Non-Arbitrage Program's (Virginia SNAP) SNAP Fund (Continued)	The SNAP Fund is managed to maintain a dollar-weighted average portfolio maturity of 60 days or less and seeks to maintain a constant net asset value per share of \$1. The SNAP Fund invests in obligations of the United States Government and its agencies, high quality debt obligations of U.S. companies and obligations of financial institutions, and is rated "AAAm" by S&P. SNAP is managed in accordance with GASB Statement No. 79. The portfolio securities are valued by the amortized cost method, and on a daily basis this valuation is compared to current market to monitor any variance. Investments are limited to short-term, high quality credits that can be readily converted into cash with limited price variation.

#### Credit Risk

The investment policy specifies credit quality for certain types of investments, as described below, in accordance with the *Code of Virginia*, and the policy specifies the qualifications for institutions providing depository and investment services. In addition, the Executive Director must conduct a review of the condition of each authorized financial institution and broker/dealer.

As required by state statute, the Policy requires that commercial paper have a short-term debt rating of no less than "A-1" (or its equivalent) from at least two of the following; Moody's, S&P's and Fitch Investor's Service. Corporate notes, negotiable Certificates of Deposit and bank deposit notes maturing in less than one year must have a short-term debt rating of at least "A-1" by S&P's and "P-1" by Moody's. Notes having a maturity of greater than one year must be rated "AA" by S&P or "Aa" by Moody's.

The Commission's rated investments as of June 30, 2024 were rated by Standard & Poor's and the ratings are presented below.

	Commission's Rated Debt Investments' Values											
	Fair Quality Ratings											
	AAAm		AAA		AA		A		A-1		BBB	
Government Agencies	\$	-	\$	-	\$	26,532,235	\$	-	\$	-	\$	-
Foreign Government Bonds		-		1,957,357		-		-		-		-
Commercial Paper		-		-		-		-		102,875,879		-
Corporate Notes		-		-		9,337,121		38,428,596		-		2,044,822
U.S. Treasury Obligations		-		-		108,881,460		-		78,538,005		-
Agency Unsecured Bonds and Notes		-		-		11,963,488		-		-		-
Certificates of Deposit		-		-		1,325,315		2,394,409		49,053,693		-
Money Market		55,968,791		-		-		-		-		-
Local Government Investment Pool		966,192,186		-		-		-		-		-
State Non-Arbitrage Pool (SNAP)		54,118,554		-		-		-		-		-
	\$	1,076,279,531	\$	1,957,357	\$	158,039,619	\$	40,823,005	\$	230,467,577	\$	2,044,822

# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### Note 2. Deposits and Investments (Continued)

#### Custodial Credit Risk (Deposits)

For deposits, custodial credit risk is the risk that in the event of a failure of a depository financial institution, deposits may not be recovered. All of the Commission's deposits are maintained in accounts collateralized in accordance with the SPDA.

The Commission's investment policy provides that securities purchased for the Commission shall be held by the Commission or by the Commission's custodian. If held by a custodian, the securities must be in the Commission's name or in the custodian's nominee name and identifiable on the custodian's books as belonging to the Commission. Further, if held by a custodian, the custodian must be a third-party, not a counterparty (buyer or seller) to the transaction. At June 30, 2024, all of the Commission's investments were held in accordance with this policy.

#### Concentration of Credit Risk

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. If certain investments in any one issuer represent 5% of total investments, there must be a disclosure of the amount and issuer. At June 30, 2024, the Commission's portfolio did not have any investment in a single issuer over 5% that is required to be disclosed.

#### Interest Rate Risk

In accordance with its investment policy, the Commission manages its exposure to declines in fair values by limiting the maturity of various investment vehicles, as indicated in the chart below.

The limitations provided in the investment policy for maximum maturity and percentage of the portfolio for each category of investment are as follows:

Permitted Investment	Sector Limit	Issuer Limit
U.S. Treasury Obligations	100%	100%
Federal Agency/GSE Obligations	100%	35%
Municipal Obligations	15%	5%
Commercial Paper	35%	5%
Bankers' Acceptances	35%	5%
Corporate Notes	25%	5%
Negotiable Certificates of Deposit and Bank Deposit Notes	25%	5%
Bank Deposits and Non-Negotiable Certificates of Deposit	100%	100%
Repurchase Agreements	25%	25%
Money Market Mutual Funds	25%	25%
Local Government Investment Pool (LGIP)	100%	100%
Virginia SNAP-SNAP Fund (Proceeds of Tax Exempt Bonds Only)	100%	100%

# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### Note 2. Deposits and Investments (Continued)

#### Interest Rate Risk (Continued)

As a means of limiting exposure to fair value losses arising from interest rates, the Commission's policy limits investments to investments with a duration and/or weighted average maturity of the total investment portfolio not to exceed two years.

	Fair Value	Investment Maturities (in years)		
		Less Than 1 Year	1 - 5 Years	Over 5 Years
U.S. Treasury Obligations	\$ 187,419,465	\$ 119,909,552	\$ 67,509,913	\$ -
Agency Unsecured Bonds and Notes	11,963,488	11,963,488	-	-
Foreign Government Bonds	1,957,357	-	1,957,357	-
Certificates of Deposit	52,773,417	49,053,693	3,719,724	-
Money Market	55,968,791	55,968,791	-	-
Corporate Notes	49,810,539	17,220,754	32,589,785	-
Commercial Paper	102,875,879	102,875,879	-	-
Government Agencies	26,532,235	1,974,454	23,697,683	860,098

As of June 30, 2024, the Commission had investments of \$966,192,186 in the LGIP for governmental activities. The LGIP is a professionally managed money market fund, which invests in qualifying obligations and securities as permitted by Virginia statutes. Pursuant to § 2.2-4605 of the *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings. The Commission's investments in LGIP are stated at amortized cost and classified as cash and cash equivalents and the maturity is less than one year.

### Note 3. Fair Value Measurement

The Commission categorizes its fair value measurements within the fair value hierarchy established by U.S GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The three levels of the fair value hierarchy are described below.

<b>Level 1</b>	Valuation based on quoted prices in active markets for identical assets or liabilities.
<b>Level 2</b>	Valuation based on quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets and liabilities.
<b>Level 3</b>	Valuations based on unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of assets or liabilities.

# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### Note 3. Fair Value Measurement (Continued)

The following table sets forth by level, within the fair value hierarchy, the Commission's assets at fair value as of June 30, 2024:

	June 30, 2024	Level 1	Level 2	Level 3
Investments by Fair Value Level				
U.S. Treasury Obligations	\$ 187,419,465	\$ 187,419,465	\$ -	\$ -
Agency Unsecured Bonds and Notes	11,963,488	11,963,488	-	-
Government Agency (State Taxable)	26,532,235	-	26,532,235	-
Foreign Government Bonds	1,957,357	-	1,957,357	-
Corporate Notes	49,810,539	-	49,810,539	-
Commercial Paper	102,875,879	-	102,875,879	-
Certificates of Deposit	52,773,417	-	52,773,417	-
Money Market	55,968,791	-	-	55,968,791

### Note 4. Due To/From Other Governments

At June 30, 2024, due from the Commonwealth of Virginia consisted of the following:

	Special Revenue HRTF	Special Revenue HRRTF	Total
Sales and Use Tax	\$ 38,839,796	\$ -	\$ 38,839,796
Motor Fuel Tax	17,426,824	-	17,426,824
Transient Occupancy Tax	-	2,156,591	2,156,591
Regional Transit Improvement Fees	-	548,667	548,667
<b>Total</b>	<b>\$ 56,266,620</b>	<b>\$ 2,705,258</b>	<b>\$ 58,971,878</b>

At June 30, 2024, amounts due to other governments consisted of \$1,010,365 due to Hampton Roads Planning District and \$2,620,406 due to Hampton Roads Transit.

# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### Note 5. Long-Term Liabilities

Changes in long-term liabilities consisted of the following:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities:					
Revenue bonds	\$ 1,158,415,000	\$ 141,000,000	\$ -	\$ 1,299,415,000	\$ -
Premium on bonds	146,456,479	7,626,690	5,641,006	148,442,163	-
TIFIA loan	1,257,963,907	94,118,730	-	1,352,082,637	-
Compensated absences	145,963	14,710	-	160,673	-
	<u>\$ 2,562,981,349</u>	<u>\$ 242,760,130</u>	<u>\$ 5,641,006</u>	<u>\$ 2,800,100,473</u>	<u>\$ -</u>

Details of long-term obligations are as follows:

In 2018, the Commission issued \$500,000,000 in senior lien revenue bonds, Series 2018A, due in annual installments ranging from \$4,745,000 to \$37,915,000, plus semi-annual interest at 5.0% to 5.5%. The bonds were issued at a premium of \$83,270,073, which will be amortized over the life of the bonds. In 2022, the Commission did an in-substance defeasance of \$364,075,000 of the bonds, along with \$53,447,361 of the unamortized bond premium. The Commission used current resources for the defeasance and no new debt was issued. The remaining balance due is \$135,925,000 with an associated premium of \$22,636,969, which will be amortized over the life of the bonds.

Annual requirements to amortize long-term obligations and related interest are as follows:

Year(s) Ending June 30,	Governmental Activities	
	Senior Lien Revenue Bonds, Series 2018A	
	Principal	Interest
2025	\$ -	\$ 6,796,250
2026	4,745,000	6,677,625
2027	4,985,000	6,434,375
2028	5,235,000	6,178,875
2029	5,495,000	5,910,625
2030-2034	11,830,000	26,507,500
2035-2039	-	25,908,750
2040-2044	51,935,000	19,669,875
2045-2049	51,700,000	5,327,500
	<u>\$ 135,925,000</u>	<u>\$ 109,411,375</u>

# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### Note 5. Long-Term Liabilities (Continued)

In 2020, the Commission issued \$614,615,000 in senior lien revenue bonds, Series 2020A, due in annual installments ranging from \$8,185,000 to \$63,965,000, plus semi-annual interest at 4.5% to 5.3%. The bonds were issued at a premium of \$129,973,450, which will be amortized over the life of the bonds.

Annual requirements to amortize long-term obligations and related interest are as follows:

Year(s) Ending June 30,	Governmental Activities	
	Senior Lien Revenue Bonds, Series 2020A	
	Principal	Interest
2025	\$ -	\$ 28,228,700
2026	-	28,228,700
2027	-	28,228,700
2028	8,185,000	28,024,075
2029	8,595,000	27,604,575
2030-2034	49,865,000	130,958,375
2035-2039	63,390,000	117,236,350
2040-2044	78,925,000	101,389,950
2045-2049	88,615,000	82,072,500
2050-2054	68,295,000	65,346,225
2055-2059	123,730,000	48,512,988
2060-2061	125,015,000	6,036,062
	<u>\$ 614,615,000</u>	<u>\$ 691,867,200</u>

In 2021, the Commission issued \$817,990,000 in senior lien bond anticipation notes, Series 2021A, due in full in July 2026, with semi-annual interest payments at 5.0% in the amount of \$20,449,750. The notes were issued at a premium of \$170,779,952, which will be amortized over the life of the bonds. In 2023, the Commission did an in-substance defeasance of the entire amount of the notes, along with \$50,934,372 of the unamortized premium. The Commission issued new debt in the form of a TIFIA loan for the majority of the defeasance, along with current resources. Funds were placed in escrow to pay the bonds as they mature and the balance of the defeased bonds is \$817,990,000 at June 30, 2024.

In 2022, the Commission issued \$407,875,000 in senior lien revenue bonds, Series 2022A, due in annual installments ranging from \$1,065,000 to \$36,905,000, plus semi-annual interest at 5.0%. The bonds were issued at a premium of \$6,175,604, which will be amortized over the life of the bonds.

# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### Note 5. Long-Term Liabilities (Continued)

Annual requirements to amortize long-term obligations and related interest are as follows:

Year(s) Ending June 30,	Governmental Activities	
	Senior Lien Revenue Bonds, Series 2022A	
	Principal	Interest
2025	\$ -	\$ 17,215,150
2026	-	17,215,150
2027	-	17,215,150
2028	1,065,000	17,188,525
2029	1,115,000	17,134,025
2030-2034	25,720,000	83,340,500
2035-2039	47,305,000	73,418,125
2040-2044	10,550,000	66,007,000
2045-2049	36,475,000	62,572,950
2050-2054	146,260,000	42,654,364
2055-2059	139,385,000	11,317,337
	<u>\$ 407,875,000</u>	<u>\$ 425,278,276</u>

In November 2023, the Commission issued \$141,000,000 in senior lien revenue bonds, Series 2023A, due in full on July 1, 2027, with semi-annual interest at 5.0%. The bonds were issued at a premium of \$7,626,690, which will be amortized over the life of the bonds.

Year Ending June 30,	Governmental Activities	
	Senior Lien Revenue Bonds, Series 2023A	
	Principal	Interest
2025	\$ -	\$ 7,050,000
2026	-	7,050,000
2027	-	7,050,000
2028	141,000,000	3,525,000
	<u>\$ 141,000,000</u>	<u>\$ 24,675,000</u>

In 2021, the Commission entered into a TIFIA loan agreement, TIFIA 20211010A, for up to \$500,789,463 at 1.86% interest. In 2022, the Commission made an initial withdrawal of \$100,000,000. In October 2022 and February 2023, the Commission made additional withdrawals totaling \$330,000,000. Then in May 2024, the Commission made an additional withdrawal of \$70,789,463. Payments are due in annual installments ranging from \$2,369,779 to \$39,175,242, beginning in July 2025. Capitalized interest was \$14,379,866 at June 30, 2024.

Beginning in June 2024, the Commission began making monthly sinking fund payments of principal in accordance with the Seventh Supplemental Series Indenture of Trust. The first payment of principal to TIFIA will be made on July 1, 2025. The Seventh Supplemental Indenture also required for the Commission to issue a bond to TIFIA for the maximum principal amount of \$500,789,463.

# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### Note 5. Long-Term Liabilities (Continued)

Annual requirements to amortize long-term obligations and related interest are as follows:

Year(s) Ending June 30,	Governmental Activities	
	TIFIA 20211010A Loan	
	Principal	Interest
2025	\$ -	\$ 4,830,453
2026	2,369,779	9,559,929
2027	2,922,957	9,510,665
2028	3,467,161	9,438,221
2029	4,101,916	9,393,728
2030-2034	30,720,997	45,418,111
2035-2039	51,379,212	41,638,834
2040-2044	77,978,282	35,660,234
2045-2049	111,681,662	26,916,501
2050-2054	154,434,593	14,602,689
2055-2059	76,112,770	1,430,690
	<u>\$ 515,169,329</u>	<u>\$ 208,400,057</u>

In 2021, the Commission entered into a TIFIA loan agreement, TIFIA 20211008A, for up to \$817,990,000 at 1.86% interest. In 2023, the Commission withdrew the full amount of the loan. Loan proceeds were used in the defeasance of Series 2021A bond anticipation notes. Principal payments are due in installments ranging from \$3,078,921 to \$45,184,815, beginning in July 2027. Capitalized interest was \$18,923,308 at June 30, 2024.

Annual requirements to amortize long-term obligations and related interest are as follows:

Year(s) Ending June 30,	Governmental Activities	
	TIFIA 20211008A Loan	
	Principal	Interest
2027	\$ -	\$ 7,954,994
2028	3,078,921	15,737,346
2029	3,164,471	15,737,928
2030-2034	49,997,578	77,186,896
2035-2039	100,698,583	70,418,056
2040-2044	120,149,825	60,568,748
2045-2049	141,957,826	48,493,930
2050-2054	166,575,540	34,166,403
2055-2059	194,468,454	17,399,967
2060-2061	87,675,877	1,649,121
	<u>\$ 867,767,075</u>	<u>\$ 349,313,389</u>

The amortization table above includes future capitalized interest of \$30,853,767 through June 30, 2025.



# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### **Note 5. Long-Term Liabilities (Continued)**

In 2021, the Commission entered into an additional TIFIA loan agreement, TIFIA 20211009A, for up to \$345,000,000. As of June 30, 2024, the unused line of credit was \$345,000,000.

### **Note 6. Intergovernmental Revenues, Commonwealth of Virginia**

Intergovernmental revenues from the Commonwealth of Virginia include additional fees or taxes imposed in each of the Member Jurisdictions as follows:

#### Special Revenue HRTF:

- An additional Retail Sales Tax of 0.7% is added to the standard rate of retail sales tax imposed by the Virginia Code. The additional tax is not levied upon food purchased for human consumption.
- An additional Motor Fuel Tax at a rate of 2.1% on retail sales of motor vehicle fuel levied by the Commonwealth of Virginia through its Department of Motor Vehicles.

#### Special Revenue HRRTF:

- An additional distribution of recordation tax to cities and counties annual allocation of \$20 million into the HRRTF established pursuant to § 33.2-2600.1.
- A Regional Transportation Improvement Fee imposed on each deed, instrument, or writing by which lands, tenements, or other realty located in a county or city located in a transportation district in Hampton Roads (Currently the Cities of Chesapeake, Hampton, Newport News, Norfolk, Portsmouth, and Virginia Beach) created pursuant to § 33.2-1903 is sold and is granted, assigned, transferred, or otherwise conveyed to or vested in the purchaser or any other person, by such purchaser's direction. The rate of the fee, when the consideration or value of the interest, whichever is greater, equals or exceeds \$100, shall be \$0.06 for each \$100 or fraction thereof, exclusive of the value of any lien or encumbrance remaining thereon at the time of the sale, whether such lien is assumed or the realty is sold subject to such lien or encumbrance.
- A Transportation District Transient Occupancy Tax, an additional transient occupancy tax at the rate of one percent of the amount of the charge for the occupancy of any room or space occupied in any county or city located in a transportation district in Hampton Roads (Currently the Cities of Chesapeake, Hampton, Newport News, Norfolk, Portsmouth, and Virginia Beach.) created pursuant to § 33.2-1903.

# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### Note 7. Pension Plan

#### A. Plan Description

Name of Plan: Virginia Retirement System (VRS)

Identification of Plan: Agent Multiple-Employer Pension Plan

Administering Entity: Virginia Retirement System (System)

All full-time, salaried permanent employees of the Commission are automatically covered by VRS Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are available at:

- <https://www.varetire.org/members/benefits/defined-benefit/plan1.asp>,
- <https://www.varetire.org/members/benefits/defined-benefit/plan2.asp>,
- <https://www.varetirement.org/hybrid.html>.

#### **Employees Covered by Benefit Terms**

As of the June 30, 2022 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

Active Members

3

# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### Note 7. Pension Plan (Continued)

#### A. Plan Description (Continued)

##### *Contributions*

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The Commission's contractually required contribution rates for the year ended June 30, 2024 were 11.87% and 8.62% (Hybrid) of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Commission were \$66,764 and \$52,703 for the years ended June 30, 2024 and 2023, respectively.

#### B. Net Pension Liability (Asset)

The net pension liability (asset) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. The Commission's net pension asset was measured as of June 30, 2023. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2022, rolled forward to the measurement date of June 30, 2023.

##### *Actuarial Assumptions*

The total pension asset for the Commission's retirement plan was based on an actuarial valuation as of June 30, 2022, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2023.

Inflation	2.50%
Salary increases, including inflation	3.50% – 5.35%
Investment rate or return	6.75%, net of pension plan investment expense, including inflation

# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### Note 7. Pension Plan (Continued)

#### B. Net Pension Liability (Asset) (Continued)

##### *Actuarial Assumptions (Continued)*

Mortality Rates:	15% of deaths are assumed to be service-related.
Pre-retirement:	Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.
Post-retirement:	Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.
Post-disablement:	Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.
Beneficiaries and Survivors	Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.
Mortality Improvement	Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age.
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service.
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### Note 7. Pension Plan (Continued)

#### B. Net Pension Liability (Asset) (Continued)

##### *Long-Term Expected Rate of Return*

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation is best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.00%	6.14%	2.09%
Fixed Income	15.00%	2.56%	0.38%
Credit Strategies	14.00%	5.60%	0.78%
Real Assets	14.00%	5.02%	0.70%
Private Equity	16.00%	9.17%	1.47%
MAPS - Multi-Asset Public Strategies	4.00%	4.50%	0.18%
PIP - Private Investment Partnership	2.00%	7.18%	0.14%
Cash	1.00%	1.20%	0.01%
<b>Total</b>	<b>100.00%</b>		<b>5.75%</b>
Inflation			<b>2.50%</b>
Expected arithmetic nominal return*			<b>8.25%</b>

\*The above allocation provides a one-year expected return of 8.25%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.14%, including expected inflation of 2.50%.

On June 15, 2023, the VRS Board elected a long-term rate of 6.75% which is roughly at the 45<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### Note 7. Pension Plan (Continued)

#### B. Net Pension Liability (Asset) (Continued)

##### *Discount Rate*

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2024, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2022 actuarial valuations, whichever was greater. From July 1, 2023 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

#### C. Changes in the Net Pension Liability (Asset)

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at June 30, 2022	\$ 346,265	\$ 446,444	\$ (100,179)
Changes for the year:			
Service cost	77,921	-	77,921
Interest	28,633	-	28,633
Differences between expected and actual experience	(12,570)	-	(12,570)
Contributions - employer	-	52,703	(52,703)
Contributions - employee	-	22,602	(22,602)
Net investment income	-	32,517	(32,517)
Administrative expense	-	(248)	248
Other changes	-	14	(14)
<b>Net changes</b>	<b>93,984</b>	<b>107,588</b>	<b>(13,604)</b>
Balances at June 30, 2023	\$ 440,249	\$ 554,032	\$ (113,783)

##### *Sensitivity of the Net Pension Asset to Changes in the Discount Rate*

The following represents the net pension asset calculated using the stated discount rate, as well as what the net pension asset would be if it were calculated using a stated discount rate that is one-percentage point lower (5.75%) or one-percentage-point higher (7.75%) than the current rate:

	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
Plan's net pension asset	\$ (54,540)	\$ (113,783)	\$ (161,849)

# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### Note 7. Pension Plan (Continued)

#### D. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2024, the Commission recognized pension expense of \$(41,523). At June 30, 2024, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions subsequent to the measurement date	\$ 66,764	\$ -
Differences between expected and actual experience	3,269	(51,927)
Changes of assumptions	2,001	(2,016)
Net difference between projected and actual earnings on plan investments	-	(3,167)
	<u>\$ 72,034</u>	<u>\$ (57,110)</u>

The \$66,764 reported as deferred outflows of resources related to pensions resulting from the Commission's contributions subsequent to the measurement date will be recognized as a decrease to the net pension asset in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions as of June 30, 2024 will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2025	\$ (11,530)
2026	(16,552)
2027	(4,111)
2028	(9,458)
2029	(6,512)
Thereafter	<u>(3,677)</u>
<b>Total</b>	<u><u>\$ (51,840)</u></u>

#### E. Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2023 Annual Report (Annual Report). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at [varetire.org/pdf/publications/2023-annual-report.pdf](http://varetire.org/pdf/publications/2023-annual-report.pdf), or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### Note 8. Other Post-employment Benefits

#### A. Plan Description

The Commission provides post-retirement health benefits to retirees who were hired prior to 7/1/2010 and were vested at 1/1/2013 and are age 50 or older with 10 years of service or age 55 or older with 5 years of service. All others are eligible at age 60 with 5 years of service or reach the Rule of 90. These benefits are provided for in a single-employer defined benefit healthcare plan administered by the Commission. None of the assets in the Plan are accumulated in a trust and therefore do not meet trust accounting requirements per paragraph 4 of GASB Statement No. 75.

#### Employees Covered by Benefit Terms

As of the June 30, 2023 actuarial valuation, the following employees were covered by the benefit terms of the OPEB plan:

Active eligible employees	4
<b>Total</b>	<b>4</b>

#### B. Net OPEB Liability (Asset)

##### *Actuarial Assumptions*

The total OPEB liability for the Commission's retirement plan was based on an actuarial valuation as of June 30, 2023, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024.

Plan type	Single Employer
Discount Rate	3.86%
Long-term investment return assumption	N/A
Inflation rate	2.5%
Mortality	
Healthy mortality	Pub-2010 Amount Weighted General Employee Rates projected generationally with generational mortality improvement using 75% of scale MP-2020, and other adjustments.
Disabled mortality	Pub-2010 Amount Weighted General Disabled Rates projected generationally with generational mortality improvement using 75% of scale MP-2020, and other adjustments.
Healthcare cost trend rate	
Medical, not Medicare eligible	7.6% for FY2024, gradually decreasing over several decades to an ultimate rate of 3.9% in FY2076 and later years.
Medical, Medicare eligible	5.1% for FY2024, gradually decreasing over several decades to an ultimate rate of 3.9% in FY2076 and later years.



# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### Note 8. Other Post-employment Benefits (Continued)

#### C. Changes in the Net OPEB Liability (Asset)

	<u>Total OPEB Liability</u>
Balance at June 30, 2023	\$ -
Changes for the year:	
Changes of benefit terms	189,073
<b>Net changes</b>	<u>189,073</u>
Balance at June 30, 2024	<u>\$ 189,073</u>

#### *Sensitivity of the Net OPEB Liability to Changes in the Discount Rate*

The following represents the net OPEB liability calculated using the stated discount rate, as well as what the net OPEB liability would be if it were calculated using a stated discount rate that is one-percentage point lower (2.86%) or one-percentage-point higher (4.86%) than the current rate:

	1% Decrease (2.86%)	Discount Rate (3.86%)	1% Increase (4.86%)
Total OPEB liability	\$ 220,207	\$ 189,073	\$ 164,530

#### *Sensitivity of the Net OPEB Liability to Changes in the Discount Rate*

The following represents the net OPEB liability calculated using the current healthcare trend rates, as well as what the net OPEB liability would be if it were calculated using a stated discount rate that is one-percentage point lower or one-percentage-point higher than the current rate:

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB liability	\$ 160,188	\$ 189,073	\$ 226,146

#### D. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2024, the Commission recognized OPEB expense of \$189,073. At June 30, 2024, the Commission reported no deferred outflows of resources and deferred inflows of resources related to OPEB.

# **HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION**

## **NOTES TO FINANCIAL STATEMENTS**

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### **Note 9. Interfund Transfers**

Transfers from the Special Revenue Funds to the General Fund are for general administration. Transfers from the Capital Projects Fund to the Special Revenue Funds were made to cover the costs of capital projects incurred by the Special Revenue Funds. Transfers from the Special Revenue Funds to the Debt Service Fund were made to cover debt service requirements. Transfers from the General Fund were for shared expenses with HRRTF.

### **Note 10. Risk Management**

The Commission is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by insurance purchased from Virginia Risk Sharing Association Insurance Programs, a group insurance pool in the Commonwealth of Virginia. There have been no significant reductions in insurance coverage from the prior year, and settled claims have not exceeded insurance coverage for the past three years.

### **Note 11. Development and Delivery of Congestion Relief Projects – Project Agreements with VDOT**

The Commission has entered into Standard Project Agreements with the Virginia Department of Transportation (VDOT) for its pre-HRBT projects, Project Administration and Funding Agreement with VDOT for the HRBT Expansion Project, and Master Agreement for Development and Tolling of the Hampton Roads Express Lanes Network (MTA), all of which relate to the Commission's funding of approved projects that will be part of VDOT's statewide transportation system. The MTA includes the establishment of the relationship between the state and Commission as to how the Commission will fund, develop, and control tolling operations and toll rates of the Hampton Roads Express Lanes Network. To date, all of the Commission's projects are included in the statewide transportation system. Under certain Project Agreements, the Commonwealth Transportation Board has agreed to also contribute state funds to the construction of Commission projects. Under all Project Agreements to date, VDOT has agreed to provide administration of project construction as reimbursed by the Commission, and VDOT has assumed responsibility for operation and maintenance of the projects at no cost to the Commission. Following the first day of collection of tolls of the HRBT project, the Commission will be responsible for the operation and maintenance of the toll collection facilities associated with the Hampton Roads Express Lanes Network. The Commission's funding obligation under each of these agreements is limited to the amounts budgeted. If VDOT determines it may incur additional, unbudgeted costs, such as to cover cost overruns, the Commission has the option to provide additional funding, cancel the project or a portion thereof, or authorize VDOT to make modifications or reductions in scope or design to stay within the initial budget under the applicable Standard Project Agreement. Based on the projects the Commission is presently funding, all capital assets constructed are reported as Commonwealth assets by the VDOT.

# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### Note 11. Development and Delivery of Congestion Relief Projects – Project Agreements with VDOT (Continued)

The Commission's executed Standard Project Agreements, PAFA for HRBT, MTA and funding shares looking forward are described below. In the administration of its financing plan, the Commission will continue to allocate funds to such projects and others, and such contributions will be made either from Bond proceeds or other available funds.

#### Commission Projects Under Agreements with VDOT (in Millions)

	Year Ending June 30,				Total
	2025	2026	2027	2028	
HRBT Expansion Project	\$ 291	\$ 11	\$ -	\$ -	\$ 302
HRELN - Segment 1A, 4A/4B, 4C, I-464 Interchange, TMP, Tolling Integration and PE Costs	197	181	97	4	479
I-264/I-64 Phase III-A	1	-	-	-	1

### Note 12. Contingency

#### Federal Programs

The Commission has received proceeds from federal grant programs. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. Based upon past experience, no provision has been made in the accompanying financial statements for the refund of grant monies.

### Note 13. Prepaid Items

At June 30, 2024, Prepaid expenses and advances consisted of the following:

Annual fees paid to ratings agencies	\$ 17,083
Rent and operating expenses	8,152
Project costs advanced to the Commonwealth of Virginia	156,178,035
Project costs advanced to other agencies	942,064
	<u>\$ 157,145,334</u>

Advances of project costs to the Commonwealth of Virginia began in 2024, and are being made as part of a comprehensive funding agreement between the commission, the VDOT, and the Design-Builder of a large transportation project. Under this agreement the Design-Builder may receive disbursements from HRTAC which are held and administered by VDOT. The funding advances are calculated based on a rolling three-month "covered period" of target earnings, and are increased or decreased by factors including the performance of the Design-Builder. The advances do not increase the contract price, and the total of outstanding advances may not exceed \$250 million.

# **HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION**

## **NOTES TO FINANCIAL STATEMENTS**

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### **Note 14. Subsequent Events**

On June 20, 2024, the Commission authorized the Executive Director to issue up to \$173,000,000 in Senior Lien Revenue Bonds Series 2024A.

On September 11, 2024, the Commission posted a voluntary notice to the Municipal Securities Rulemaking Board of its plan for the proposed sale of \$165,000,000 in HRTF Senior Lien Revenue Bonds, Series 2024A, on or about October 8, 2024.

## **REQUIRED SUPPLEMENTARY INFORMATION**

# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## SCHEDULE OF CHANGES IN THE COMMISSION'S NET PENSION LIABILITY (ASSET) AND RELATED RATIOS – VIRGINIA RETIREMENT SYSTEM

	Fiscal Year June 30,						
	2018	2019	2020	2021	2022	2023	2024
<b>Total Pension Liability:</b>							
Service cost	\$ 44,473	\$ 43,344	\$ 44,551	\$ 54,309	\$ 55,203	\$ 72,602	\$ 77,921
Interest	-	5,481	8,556	11,565	15,639	23,893	28,633
Differences between expected and actual experience	-	(4,896)	(9,099)	(5,528)	(18,447)	(31,592)	(12,570)
Changes of assumptions	(5,175)	-	5,106	-	(2,717)	-	-
Benefit payments, including refunds of employee contributions	38,997	-	-	-	-	-	-
<b>Net change in total pension liability</b>	<b>78,295</b>	<b>43,929</b>	<b>49,114</b>	<b>60,346</b>	<b>49,678</b>	<b>64,903</b>	<b>93,984</b>
Total pension liability - beginning	-	78,295	122,224	171,338	231,684	281,362	346,265
Total pension liability - ending (a)	\$ 78,295	\$ 122,224	\$ 171,338	\$ 231,684	\$ 281,362	\$ 346,265	\$ 440,249
<b>Plan Fiduciary Net Position:</b>							
Contributions - employer	\$ 39,187	\$ 40,173	\$ 35,265	\$ 45,199	\$ 34,596	\$ 40,244	\$ 52,703
Contributions - employee	12,231	12,538	12,852	16,437	16,602	19,262	22,602
Net investment income (loss)	5,504	6,867	11,406	4,103	78,504	(2,066)	32,517
Administrative expense	20	(13)	(53)	(79)	(140)	(214)	(248)
Other	(7)	(8)	(8)	(6)	8	11	14
<b>Net change in plan fiduciary net position</b>	<b>56,935</b>	<b>59,557</b>	<b>59,462</b>	<b>65,654</b>	<b>129,570</b>	<b>57,237</b>	<b>107,588</b>
Plan fiduciary net position - beginning	18,029	74,964	134,521	193,983	259,637	389,207	446,444
Plan fiduciary net position - ending (b)	\$ 74,964	\$ 134,521	\$ 193,983	\$ 259,637	\$ 389,207	\$ 446,444	\$ 554,032
Commission's net pension liability (asset) - ending (a)-(b)	\$ 3,331	\$ (12,297)	\$ (22,645)	\$ (27,953)	\$ (107,845)	\$ (100,179)	\$ (113,783)
Plan fiduciary net position as a percentage of the total pension liability	96%	110%	113%	112%	138%	129%	126%
Covered payroll	\$ 265,658	\$ 264,821	\$ 366,121	\$ 318,014	\$ 357,815	\$ 400,437	\$ 540,484
Commission's net pension liability (asset) as a percentage of covered payroll	1.25%	(4.64%)	(6.19%)	(8.79%)	(30.14%)	(25.02%)	(21.05%)

### Note to Schedule:

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Commission will present information for those years which information is available.

# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## SCHEDULE OF COMMISSION CONTRIBUTIONS – VIRGINIA RETIREMENT SYSTEM

	Fiscal Year June 30,						
	2018	2019	2020	2021	2022	2023	2024
Contractually required contribution (CRC)	\$ 40,173	\$ 35,265	\$ 45,199	\$ 34,596	\$ 40,244	\$ 52,703	\$ 66,764
Contributions in relation to the CRC	40,173	35,265	45,199	34,596	40,244	52,703	66,764
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 265,658	\$ 264,821	\$ 366,121	\$ 318,014	\$ 357,815	\$ 400,437	\$ 540,484
Contributions as a percentage of covered payroll	15.12%	13.32%	12.35%	10.88%	11.25%	13.16%	12.35%

### Note to Schedule:

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Commission will present information for those years for which information is available.

# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

### VIRGINIA RETIREMENT SYSTEM

Year Ended June 30, 2024

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#### Note 1. Changes of Benefit Terms

There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

#### Note 2. Changes of Assumptions

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through nine years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change



# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND Year Ended June 30, 2024

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Over (Under)
Revenues				
Other Income	\$ -	\$ -	\$ 50,000	\$ 50,000
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>50,000</b>	<b>50,000</b>
Expenditures				
General and administrative	2,022,806	2,022,806	1,001,070	(1,021,736)
<b>Total expenditures</b>	<b>2,022,806</b>	<b>2,022,806</b>	<b>1,001,070</b>	<b>(1,021,736)</b>
<b>Deficiency of revenues under expenditures</b>	<b>(2,022,806)</b>	<b>(2,022,806)</b>	<b>(951,070)</b>	<b>1,071,736</b>
Other Financing Sources (Uses)				
Transfers in	2,022,806	2,022,806	1,076,412	(946,394)
Transfers out	-	-	(188,950)	(188,950)
<b>Total other financing sources, net</b>	<b>2,022,806</b>	<b>2,022,806</b>	<b>887,462</b>	<b>(1,135,344)</b>
<b>Net change in fund balance</b>	<b>-</b>	<b>-</b>	<b>(63,608)</b>	<b>(63,608)</b>
Fund Balance, beginning of year	-	-	6,525	6,525
Fund Balance (Deficit), end of year	\$ -	\$ -	\$ (57,083)	\$ (57,083)

### Note:

The Commission adopts an annual operating budget for the planning and administrative activities of the General Fund. The budgeting process enables the Commission to determine the annual transfers required from the Special Revenue Funds to fund its general and administrative activities. Accumulated fund balances in excess of anticipated minimum operating cash requirements are used as a revenue source in subsequent budgets.

## **SUPPLEMENTARY INFORMATION**

## HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

### SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENDITURES

Year Ended June 30, 2024

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Expenditures	
Salaries and wages	\$ 540,484
Employee benefits	116,598
VRS contributions	55,956
Support services - HRTPO/HRPDC	124,803
Office rent	15,449
Office supplies	21,409
Professional and legal	59,854
Travel and meeting	14,145
Insurance	6,181
Computer hardware	28,846
Public notice and advertising	1,244
Capital outlay	10,201
Other	<u>5,900</u>
<b>Total expenditures</b>	<u><u>\$ 1,001,070</u></u>

## **COMPLIANCE SECTION**

# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2024

Federal Granting Agency/ Grant Program	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Expenditures
U.S. DEPARTMENT OF TRANSPORTATION (DOT)				
Direct payments:				
Build America Bureau:				
Transportation Infrastructure Finance and Innovation Act (TIFIA) Program	20.223	N/A	\$ -	\$ 70,789,463
<b>Total Department of Transportation</b>			<u>-</u>	<u>70,789,463</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ -</u>	<u>\$ 70,789,463</u>

# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2024

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### Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the Hampton Roads Transportation Accountability Commission (Commission) under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Commission, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Commission.

*Federal Financial Assistance* – The Single Audit Act Amendments of 1996 (Public Law 104-156) and Uniform Guidance define federal financial assistance as grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations or other assistance. Federal financial assistance does not include direct federal cash assistance to individuals.

*Pass-through Payments* – Assistance received in a pass-through relationship from entities other than the Federal government is classified as pass-through payments on the Schedule.

*Direct Payments* – Assistance received directly from the Federal government is classified as direct payments on the Schedule.

*Major Programs* – The Single Audit Act Amendments of 1996 and Uniform Guidance establish the criteria to be used in defining major programs. The major program for the Commission was determined using a risk-based approach in accordance with Uniform Guidance.

*Federal Assistance Listing* – The Federal Assistance Listing is a government-wide compendium of individual federal programs. Each program included in the listing is assigned a five-digit program identification number, which is reflected in the Schedule.

### Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through identifying numbers are presented where available.

### Note 3. Indirect Cost Rate

The Commission has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

## **HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION**

### **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Year Ended June 30, 2024**

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#### **Note 4. TIFIA Loan Program**

The Transportation Infrastructure Finance and Innovation Act (TIFIA) Loan Program balance and transactions relating to this program are included in the basic financial statements. Loans made during the year are included in the federal expenditures presented in the Schedule. The balance of the loan outstanding at June 30, 2024 is \$1,352,082,637.

**INDEPENDENT AUDITOR’S REPORT ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Honorable Commission Board Members  
Hampton Roads Transportation Accountability Commission

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities and each major fund of the Hampton Roads Transportation Accountability Commission (Commission), a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Commission’s basic financial statements, and have issued our report thereon dated September 27, 2024.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Commission’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility a material misstatement of the Commission’s financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control we considered to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.



## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*PBMares, LLP*

Harrisonburg, Virginia  
September 27, 2024



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR THE MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER  
COMPLIANCE AND REQUIRED BY THE UNIFORM GUIDANCE**

To the Honorable Commission Board Members  
Hampton Roads Transportation Accountability Commission

**Report on Compliance for the Major Federal Program**

***Opinion on the Major Federal Program***

We have audited Hampton Roads Transportation Accountability Commission's (Commission) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Commission's major federal program for the year ended June 30, 2024. The Commission's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Commission complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2024.

***Basis for Opinion on the Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Commission's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Commission's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Commission's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Commission's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Commission's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Commission's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control over Compliance**

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*PBMares, LLP*

Harrisonburg, Virginia  
September 27, 2024

# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2024

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### Section I. SUMMARY OF AUDITOR'S RESULTS

#### *Financial Statements*

Type of report the auditor issued on whether the financial statements were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ Yes        √   No

Significant deficiency(ies) identified?

\_\_\_\_\_ Yes        √   None Reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ Yes        √   No

#### *Federal Awards*

Internal control over the major federal program:

Material weakness(es) identified?

\_\_\_\_\_ Yes        √   No

Significant deficiency(ies) identified?

\_\_\_\_\_ Yes        √   None Reported

Type of auditor's report issued on compliance for the major federal program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?

\_\_\_\_\_ Yes        √   No

Identification of the major federal program:

Federal Assistance Listing Number

Name of Federal Program

20.223

Transportation Infrastructure Finance and Innovation Act (TIFIA) Program

Dollar threshold used to distinguish between type A and type B programs:

\$2,123,684

Auditee qualified as low-risk auditee?

\_\_\_\_\_ Yes        √   No

### Section II. FINANCIAL STATEMENT FINDINGS

No matters were reported.

### Section III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

No matters were reported.



*Chair*, DR. RICHARD W. “RICK” WEST • *Vice-Chair*, DOUGLAS G. PONS

*Executive Director*, KEVIN B. PAGE

## **HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION**

### **SCHEDULE OF PRIOR AUDIT FINDINGS**

**Year Ended June 30, 2024**

There were no matters reported during the fiscal year ended June 30, 2023.

## **APPENDIX C**

### **FORM OF CONTINUING DISCLOSURE UNDERTAKING**

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## CONTINUING DISCLOSURE UNDERTAKING

This **CONTINUING DISCLOSURE UNDERTAKING** dated \_\_\_\_\_, 2024 (the “Disclosure Undertaking”), is executed and delivered by the Hampton Roads Transportation Accountability Commission (the “Commission”), in connection with the issuance by the Commission of its \$\_\_\_\_\_ Hampton Roads Transportation Fund Senior Lien Revenue Bonds, Series 2024A (the “Series 2024A Bonds”). The Commission hereby covenants and agrees as follows:

**Section 1. Purpose.** This Disclosure Undertaking is being executed and delivered by the Commission for the benefit of the holders of the Series 2024A Bonds and in order to assist the original purchasers of the Series 2024A Bonds in complying with the provisions of Section (b)(5)(i) of Securities and Exchange Commission (“SEC”) Rule 15c2-12, as amended (the “Rule”), by providing certain annual financial information and event notices required by the Rule (collectively, “Continuing Disclosure”).

### **Section 2. Annual Disclosure.**

(a) The Commission shall provide annually certain financial information and operating data in accordance with the provisions of Section (b)(5)(i) of the Rule as follows:

(i) the audited financial statements of the Commission prepared in accordance with accounting principles generally accepted in the United States; and

(ii) updated operating data of the type described in the Official Statement for the Series 2024A Bonds in (A) Table I: “Historical Hampton Roads Transportation Fund Revenues,” (B) Appendix E, Table 1: “HRTF Revenues,” (C) Appendix E, Table 2: “Hampton Roads Transportation Fund (HRTF) Revenues and Expenditures,” and (D) Appendix E, Table 3: “Hampton Roads Transportation Fund (HRTF) Transportation Project Expenditures.”

(b) The Commission shall file annually with the Municipal Securities Rulemaking Board (the “MSRB”) the financial information and operating data described in subsection (a) above (collectively, the “Annual Disclosure”) within 180 days after the end of the Commission’s fiscal year, commencing with the Commission’s fiscal year ending June 30, 2024.

(c) Any Annual Disclosure may be included by specific reference to other documents previously provided to the MSRB or filed with the SEC; provided, however, that any final official statement incorporated by reference must be available from the MSRB.

(d) The Commission shall file with the MSRB in a timely manner notice specifying any failure of the Commission to provide the Annual Disclosure by the date specified.

**Section 3. Event Disclosure.** The Commission shall file with the MSRB in a timely manner not in excess of ten (10) business days after the occurrence of the event, notice of any of the following events with respect to the Series 2024A Bonds:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults, if material;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on any credit enhancement reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or

determinations with respect to the tax status of the Series 2024A Bonds, or other material events affecting the tax status of the Series 2024A Bonds;

- (g) modifications to rights of Bondholders, if material;
- (h) bond calls, if material, and tender offers;
- (i) defeasance of all or any portion of the Series 2024A Bonds;
- (j) release, substitution, or sale of property securing repayment of the Series 2024A Bonds, if material;
- (k) rating changes;
- (l) bankruptcy, insolvency, receivership or similar event of the Commission;
- (m) the consummation of a merger, consolidation, or acquisition involving the Commission or the sale of all or substantially all of the assets of the Commission, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (n) appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (o) incurrence of a “Financial Obligation”<sup>\*</sup> of the Commission, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Commission, any of which affect Bondholders of the Series 2024A Bonds, if material; and
- (p) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Commission, any of which reflect financial difficulties.

**Section 4. Termination.** The obligations of the Commission hereunder will terminate upon the redemption, defeasance (within the meaning of the Rule) or payment in full of all the Series 2024A Bonds.

**Section 5. Amendment.** The Commission may modify its obligations hereunder without the consent of Bondholders, provided that this Disclosure Undertaking as so modified complies with the Rule as it exists at the time of modification. The Commission shall within a reasonable time thereafter file with the MSRB a description of such modification(s).

**Section 6. Defaults.** (a) If the Commission fails to comply with any covenant or obligation regarding Continuing Disclosure specified in this Disclosure Undertaking, any holder (within the meaning of the Rule) or beneficial holder of Bonds then outstanding may, by notice to the Commission, proceed to protect and enforce its rights and the rights of the holders by an action for specific performance of the Commission’s covenant to provide the Continuing Disclosure.

(b) Notwithstanding anything herein to the contrary, any failure of the Commission to comply with any obligation regarding Continuing Disclosure specified in this Disclosure Undertaking (i) shall not be deemed to constitute an event of default under the Series 2024A Bonds or the Master Indenture of Trust, and any supplement thereto, providing for the issuance of the Series 2024A Bonds and (ii) shall not give rise to any right or remedy other than that described in Section 6(a) above.

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<sup>\*</sup> “Financial Obligation” means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that “financial obligation” shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

**Section 7. Filing Method.** Any filing required hereunder shall be made by transmitting such disclosure, notice or other information in electronic format to the MSRB through the MSRB's Electronic Municipal Market Access (EMMA) system pursuant to procedures promulgated by the MSRB.

**Section 8. Additional Disclosure.** The Commission may from time to time disclose certain information and data in addition to the Continuing Disclosure. Notwithstanding anything herein to the contrary, the Commission will not incur or be subject to any obligation or duty to continue to provide, or to update, such additional information or data.

**Section 9. Dissemination Agent.** The Commission may, in its discretion, from time to time appoint or engage an entity to serve as Dissemination Agent to assist the Commission in fulfilling its covenants and obligations regarding this Disclosure Undertaking. HRTAC anticipates utilizing the services of Digital Assurance Certification, L.L.C. to serve as Dissemination Agent.

**Section 10. Counterparts.** This Disclosure Undertaking may be executed in several counterparts each of which shall be an original and all of which shall constitute but one and the same instrument.

**Section 11. Governing Law.** This Disclosure Undertaking shall be construed and enforced in accordance with the laws of the Commonwealth of Virginia.

**HAMPTON ROADS TRANSPORTATION  
ACCOUNTABILITY COMMISSION**

By: \_\_\_\_\_  
Richard W. West, Chair

By: \_\_\_\_\_  
Kevin B. Page, Executive Director

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## **APPENDIX D**

### **DEMOGRAPHIC, ECONOMIC AND FINANCIAL INFORMATION REGARDING PLANNING DISTRICT 23 AND THE HAMPTON ROADS MSA**

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## DEMOGRAPHIC, ECONOMIC AND FINANCIAL INFORMATION REGARDING PLANNING DISTRICT 23 AND THE HAMPTON ROADS MSA

### Member Localities

The Member Localities of HRTAC currently include:

City of Chesapeake	City of Poquoson	Isle of Wight County
City of Franklin	City of Portsmouth	James City County
City of Hampton	City of Suffolk	Southampton County
City of Newport News	City of Virginia Beach	York County
City of Norfolk	City of Williamsburg	

Cities and counties in the Commonwealth are independent entities; therefore, the Member Localities do not overlap.

### Economic Profile

Much of the statistical information contained below is provided with respect to the Virginia portion of the Virginia Beach-Norfolk-Newport News Metropolitan Statistical Area (the “Hampton Roads MSA”), which includes all of HRTAC’s Member Localities other than Southampton County and the City of Franklin. The Counties of Mathews and Gloucester are also included in the Hampton Roads MSA but are not Member Localities. Certain information provided in this Appendix D about the Hampton Roads MSA is taken from a report of the Virginia Employment Commission dated September 12, 2024, entitled “Virginia Community Profile – Virginia Beach-Norfolk-Newport News MSA (VA Part)” (the “Virginia Employment Commission Report”). Such information is limited to the Virginia portions of the Hampton Roads MSA and omits the portions of northeastern North Carolina that may otherwise be included in the Hampton Roads MSA in certain instances.

The Hampton Roads region is a metropolitan area in southeastern Virginia, with a growing population of approximately 1.8 million people. The economy of Hampton Roads is largely driven by U.S. military employment and federal civilian contracting, as well as industries such as shipbuilding that are highly dependent on the Department of Defense. Other important economic drivers include the tourism industry, healthcare services, retail, and cargo shipping through the Port of Virginia.

**Military.** The presence of the military in the Hampton Roads MSA has a significant impact on the regional economy. Norfolk is the home of the world’s largest naval complex, with the area serving as the headquarters for NATO’s Allied Command Transformation, U.S. Joint Forces Command, U.S. Fleet Forces Command, the U.S. Air Force’s Air Combat Command, U.S. Marine Corps Forces Command, and the U.S. Army Training and Doctrine Command. Naval Station Norfolk is currently home to four aircraft carriers. Overall, Hampton Roads is home port to approximately 64 U.S. Navy ships and home to 36 aircraft squadrons.

The Hampton Roads MSA is the largest center of Coast Guard units in the world with the Atlantic Area Command and Maritime Defense Zone Atlantic in Portsmouth and its Maintenance & Logistic Command Atlantic headquarters in Norfolk. The Langley Air Base is located in Hampton and the U.S. Army facilities at Fort Eustis are located in Newport News. Norfolk hosts the U.S. Navy’s Norfolk Naval Ship Yard and various military facilities are located in almost every Member Locality, including the Oceana Naval Air Station, Oceana Naval Air Station Dam Neck Annex and Joint Expeditionary Base Little Creek-Fort Story in Virginia Beach, Naval Weapons Station in York County, and Department of Defense and U.S. Navy technology complexes in Suffolk.

The military assigns to and reassigns from its various locations within the region ships, squadrons and personnel on a regular basis. Due to the ongoing military presence, the arrivals and departures from the region do not typically alter the military’s year-to-year economic impact on the region.

According to the most recent data available, the U.S. Navy’s direct economic impact on the region was \$16.3 billion in Fiscal Year 2021, up from \$15.8 billion in Fiscal Year 2020, comprised of a total annual payroll of \$13.6 billion and the balance consumed on goods and services and procurement contracts. See Navy Region Mid-Atlantic Public Affairs Office Economic Impact Report, Fiscal Year 2021 (the most recent available report). The region is likely to continue as a center of activity for the U.S. Navy with total working personnel (military, civilian, and contractors) in Fiscal Year 2021 of more than 250,000.

The shipbuilding and repair industry in the Hampton Roads MSA, though diverse, is highly dependent on military funding for new vessels and vessel repairs, repair cancellations or deferrals, the number of Navy Ships homeported in the region and other factors affecting the predictability and stability of work flows and access to work by smaller firms. Significant layoffs and additional employment demands occur from time to time. Newport News-based Huntington Ingalls Industries, Inc. is the largest industrial employer in the Commonwealth of Virginia (the “Commonwealth”) and the region is home to a number of other industry participants, including General Dynamics – NASSCO, BAE Systems, Norfolk Ship Repair and Colonna’s Shipyard, Inc.

***The Virginia Port Authority.*** The Port of Virginia (the “Port”), one of the world’s largest natural deep-water harbors, is an integral part of the Hampton Roads economy. In 1981, the General Assembly of the Commonwealth passed legislation that unified the ports in the Hampton Roads MSA under a single agency, the Virginia Port Authority, with a single operating company named Virginia International Terminals, Inc. The terminals of the Port are situated in several different locations in Hampton Roads, including Norfolk International Terminal in Norfolk, Newport News Marine Terminal in Newport News, Portsmouth Marine Terminal in Portsmouth, and Virginia International Gateway (“VIG”) in Portsmouth. VIG is the newest and most technologically advanced of the terminals and unlike the other terminals it is leased from a private owner rather than owned by the Virginia Port Authority. The VIG lease extends through December 31, 2065.

The Port has the third highest volume of seaports on the east coast of the United States in terms of total value of port trade, after New York / New Jersey and Savannah, Georgia. In 2023, the Port handled a total of 24,776,475 short tons of general cargo, including 24,651,632 short tons of containerized cargo and 124,843 short tons of breakbulk cargo.

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**Table 1**  
**Virginia Port Authority Terminals**  
**General Cargo Tonnage**  
**Calendar Years 2016 – 2023**

<u>Calendar Year</u>	<u>Total General Cargo Tonnage (in thousands)</u>	<u>Percent Change Over Previous Year</u>
2016	20,869	4.50%
2017	21,972	5.30
2018	21,975	0.01
2019	21,940	(0.01)
2020	21,082	(3.91)
2021	25,354	16.85
2022	26,152	3.15
2023	24,777	(5.26)

Source: Virginia Port Authority.

The Virginia Port Authority has worked on several initiatives to facilitate further growth. The Heartland Corridor rail transport project has expanded the Port's rail access to markets in Ohio, Illinois, Michigan and points west. Norfolk International Terminals currently occupies an area of approximately 567 acres, and has gone through and is undergoing various expansions. In 2019, an expansion project was completed for VIG, including a 650-berth expansion, together with other improvements, that doubled the capacity of the terminal to approximately 1.2 million containers per year. The Virginia Port Authority has also entered into a Memorandum of Understanding with the Army Corps of Engineers related to a \$450,000,000 dredging project for the harbor that will create the deepest and widest shipping channel on the east coast. The widening of the shipping channel was completed in 2024, with the deepening portion of the project expected to be completed in fall 2025.

**Tourism.** From Colonial Williamsburg to the Atlantic Ocean at Virginia Beach, Hampton Roads has a wide variety of tourism activities where tourists spend an aggregate of approximately \$5.25 billion per year. Tourist attractions in the northwestern part of Hampton Roads include Colonial Williamsburg which consists of the restored Colonial Capital and Governor's Mansion with related shops, educational exhibits and presentations; the Jamestown Settlement, including living history exhibits and presentations on the original English settlement in Virginia; the Yorktown Battlefield which was the final battlefield of the American Revolutionary War; and the Colonial Parkway connecting these three locations. The Busch Gardens Williamsburg and Water Country USA theme parks are also in the Williamsburg area.

The oceanfront area in Virginia Beach offers extensive tourist attractions, including the Virginia Beach Aquarium and Virginia Beach Air Museum, and thousands of hotel rooms. Virginia Beach also attracts significant convention and conference visits, driving economic activity and tax receipts. Virginia Beach also has two state parks that offer camping and hiking.

Hampton Roads also hosts a large variety of museums including history, art, science, military, nature and children's museums, particularly including the Virginia War Museum (in Hampton), The Chrysler Museum of Art (in Norfolk), Virginia Air and Space Center (in Hampton), Norfolk Botanical Garden, the Virginia Zoo (in Norfolk), the Children's Museum of Virginia (in Portsmouth), the Mariner's Museum (in Newport News) and the Nauticus Naval Museum (in Norfolk) which features the decommissioned U.S. Navy battleship USS Wisconsin.

**Health Services.** The fastest growing industry in Hampton Roads is projected to be health services. According to the Hampton Roads Alliance, the healthcare industry contributes billions in economic activity to the Commonwealth. There are more than 50 medical corporations in the Hampton Roads area working with healthcare facilities including Chesapeake Regional Medical Center, Children's Hospital of The King's Daughters, Riverside

Health System, and Sentara Healthcare, Inc., each of which are listed among or associated with the top 50 largest employers in Table 12 below.

### **Population**

The Virginia Beach-Norfolk-Newport News, VA-NC Metro Area is estimated to be the 37th largest metropolitan statistical area in the United States based on U.S. Census estimates as of July 1, 2023. The UVA Weldon Cooper Center for Public Service estimates that the population of the Hampton Roads Planning District 23 as of July 1, 2023 was 1,753,239 and that the region experienced average annual population growth of 4.3% from 2010 through 2020. Hampton Roads localities account for approximately 20% of the Commonwealth's total population.

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**Table 2**  
**Population Trend Comparisons**  
**2013 – 2023**

<u>Year<sup>(1)</sup></u>	<u>Virginia Beach- Norfolk-Newport News, VA-NC MSA</u>	<u>Percentage Change</u>	<u>U.S.</u>	<u>Percentage Change</u>
2013	1,741,366	0.42%	315,993,715	0.69%
2014	1,750,937	0.55	318,301,008	0.73
2015	1,756,340	0.31	320,635,163	0.73
2016	1,758,763	0.14	322,941,311	0.72
2017	1,760,926	0.12	324,985,539	0.63
2018	1,763,713	0.16	326,687,501	0.52
2019	1,768,901	0.29	328,239,523	0.48
2020	1,781,712	0.72	331,526,933	1.00
2021	1,785,531	0.21	332,048,977	0.16
2022	1,785,390	(0.07)	333,271,411	0.37
2023	1,787,169	0.10	334,914,895	0.49

Sources: U.S. Census Bureau.  
<sup>(1)</sup> Population estimated as of July 1.

Table 3 shows the population distribution by age in the Hampton Roads MSA, the Commonwealth of Virginia and the United States, as reported by the 2023 U.S. Census Bureau Population Estimates.

**Table 3**  
**Population by Age in Hampton Roads MSA**

	<u>Hampton Roads MSA<sup>(1)</sup></u>	<u>Virginia</u>	<u>United States</u>
Under 5 years	102,951	476,744	18,333,697
5 to 9 years	112,610	512,565	19,799,430
10 to 14 years	107,614	546,266	21,203,879
15 to 19 years	111,916	580,019	22,168,390
20 to 24 years	123,895	562,765	21,618,383
25 to 29 years	125,496	564,757	21,906,706
30 to 34 years	133,124	597,415	23,405,056
35 to 39 years	134,446	606,153	22,650,099
40 to 44 years	117,614	601,873	22,126,485
45 to 49 years	93,812	521,323	19,859,230
50 to 54 years	100,154	544,417	20,661,941
55 to 59 years	105,177	540,862	20,198,508
60 to 64 years	115,578	561,608	21,676,036
65 to 69 years	99,562	484,054	19,026,961
70 to 74 years	77,839	396,914	15,797,857
75 to 79 years	56,473	293,416	11,318,751
80 to 84 years	34,382	177,990	7,041,419
85 years and over	<u>29,028</u>	<u>146,557</u>	<u>6,122,068</u>
<b>Total</b>	<b>1,781,671</b>	<b>8,715,698</b>	<b>33,4914,896</b>

Source: U.S. Census Bureau, 2023.

<sup>(1)</sup> This column provides information from the Virginia Beach-Norfolk-Newport News, VA-NC Metropolitan Area, which is representative of the Hampton Roads MSA.

Based on U.S. Census information, population in the Hampton Roads MSA has been consistently growing. The Virginia Employment Commission projects that the population of both the Hampton Roads MSA and Virginia will continue to grow in the future.

**Table 4**  
**Population Change in Hampton Roads MSA**

<b>Calendar Year</b>	<b>Hampton Roads MSA</b>	<b>(% change)</b>	<b>Virginia</b>	<b>(% change)</b>
2000	1,558,727	-	7,079,030	-
2010	1,648,136	5.74%	8,001,024	13.02%
2020	1,760,563	6.82	8,744,273	9.29
2030	1,847,105	4.92	9,546,958	9.18
2040	1,906,410	3.21	10,201,530	6.86

Sources: U.S. Census Bureau and the Virginia Employment Commission Report.

**Table 5**  
**Population Projections by Age and Gender in Hampton Roads MSA**

	<b>2020</b>		<b>2030</b>		<b>2040</b>	
	<b><u>Female</u></b>	<b><u>Male</u></b>	<b><u>Female</u></b>	<b><u>Male</u></b>	<b><u>Female</u></b>	<b><u>Male</u></b>
Under 5 years	54,667	56,874	55,900	58,123	55,848	58,034
5 to 9 years	52,066	53,849	54,658	56,517	55,185	57,047
10 to 14 years	53,736	55,981	55,626	57,949	57,651	60,071
15 to 19 years	54,561	57,945	54,696	58,140	57,813	61,508
20 to 24 years	61,106	70,981	63,105	73,224	65,051	75,312
25 to 29 years	66,860	69,753	61,480	63,965	61,804	64,297
30 to 34 years	64,324	64,028	59,421	58,886	61,511	60,880
35 to 39 years	60,982	59,190	66,520	64,278	62,260	60,006
40 to 44 years	52,650	49,126	63,915	59,593	59,931	55,757
45 to 49 years	50,413	46,932	59,007	54,972	64,985	60,500
50 to 54 years	54,582	50,326	51,269	47,249	62,576	57,745
55 to 59 years	63,515	57,200	49,178	44,307	57,821	52,109
60 to 64 years	60,733	53,094	53,056	46,413	49,991	43,727
65 to 69 years	48,294	40,510	58,759	49,353	46,425	38,997
70 to 74 years	39,125	31,590	53,800	43,318	47,517	38,389
75 to 79 years	27,196	20,040	39,373	29,031	47,451	34,944
80 to 84 years	17,710	11,492	27,777	18,130	37,817	24,567
85 years and over	<u>19,736</u>	<u>9,401</u>	<u>24,403</u>	<u>11,703</u>	<u>34,340</u>	<u>16,559</u>
<b>Total by Gender</b>	<b><u>902,256</u></b>	<b><u>858,312</u></b>	<b><u>951,943</u></b>	<b><u>895,151</u></b>	<b><u>985,977</u></b>	<b><u>920,449</u></b>
<b>Total</b>	<b><u>1,760,568</u></b>		<b><u>1,847,094</u></b>		<b><u>1,906,426</u></b>	

Source: Virginia Employment Commission Report and the University of Virginia Weldon Cooper Center for Public Service: Demographic Research Group (hereinafter, the "Weldon Cooper Center").

Hampton Roads includes three of the ten most populous local jurisdictions in Virginia, including four of the five largest cities. Virginia Beach is the third most populous locality in Virginia besides Fairfax County and Prince William County in northern Virginia. The populations of certain urban counties in northern Virginia and the Richmond area exceed populations of Norfolk, Chesapeake, and Newport News.

**Table 6**  
**Five Most Populous Cities in Virginia**

<b><u>City</u></b> <sup>(1)</sup>	<b><u>2020 Census Population</u></b>	<b><u>2023 Population Estimate</u></b>
Virginia Beach	459,470	453,605
Chesapeake	249,422	252,478
Norfolk	238,005	238,112
Richmond	226,610	229,035
Newport News	186,247	182,268

Sources: U.S. Census Bureau and the Weldon Cooper Center.

Note: <sup>(1)</sup> Data does not take into account urban counties such as Fairfax and Arlington.

The most populous Member Localities are the Cities of Virginia Beach, Chesapeake, and Norfolk, which are contiguously located in the southeastern corner of the state, encompassing territory between the Atlantic Ocean, the Chesapeake Bay, and the North Carolina border. These localities, with others, are located to the south of the harbor and the Hampton Roads Bridge-Tunnel, and are known as the “Southside.” Another large portion of the region’s population is clustered in the Cities of Newport News and Hampton on the Virginia Peninsula, situated between the York River and James River and extending into the Chesapeake Bay north of the Hampton Roads Bridge-Tunnel.

The five most populous Member Localities (the Cities of Virginia Beach, Chesapeake, Norfolk, Newport News and Hampton) account for approximately 75% of the region’s population.

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**Table 7**  
**Population by Member Locality**

<b>Member Locality</b>	<b><u>2023 Population</u></b>	<b>Percentage of <u>Total</u><sup>(1)</sup></b>
City of Chesapeake	252,478	14.79%
City of Franklin	7,987	0.47
City of Hampton	136,895	8.02
City of Newport News	182,268	10.67
City of Norfolk	238,112	13.94
City of Poquoson	12,648	0.74
City of Portsmouth	96,085	5.63
City of Suffolk	100,690	5.90
City of Virginia Beach	453,605	26.56
City of Williamsburg	15,675	0.92
Isle of Wight County	40,873	2.39
James City County	80,678	4.72
Southampton County	17,754	1.04
York County	<u>71,806</u>	<u>4.21</u>
<b>Total</b>	<b><u>1,707,554</u></b>	<b><u>100.00%</u></b>

Sources: U.S. Census Bureau and the Weldon Cooper Center.

<sup>(1)</sup> Percentages may not foot due to rounding.

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Residential concentration largely follows population by jurisdiction; however, the region includes significant affluent suburban communities with strong real estate values.

**Table 8**  
**2022 Tax Year Assessed Value of Taxable**  
**Real Estate of Member Locality**

<b><u>Member Locality</u></b>	<b><u>Total FMV*</u></b>
City of Chesapeake	\$30,183,884,100
City of Franklin	611,738,005
City of Hampton	12,316,418,400
City of Newport News	17,648,732,600
City of Norfolk	24,228,514,300
City of Poquoson	1,796,949,800
City of Portsmouth	7,829,736,060
City of Suffolk	11,405,523,000
City of Virginia Beach	63,783,302,700
City of Williamsburg	2,150,088,100
Isle of Wight County	5,553,916,486
James City County	14,807,703,700
Southampton County	2,172,137,700
York County	15,639,721,394

Source: Virginia Department of Taxation 2023 Annual Report (Tax Year 2022)

\* Certain localities did not respond to the Virginia Department of Taxation survey or an error occurred on the survey and data from the prior year was used. Tax Year 2022 information is the most recent available data.

Although Hampton Roads encompasses numerous local jurisdictions and movement within the region often requires water crossings, the economy of the region is well integrated, as demonstrated by the commuting patterns within the area, including significant commuting between the Southside and the Virginia Peninsula, largely by way of the Hampton Roads Bridge-Tunnel. There is also significant commuting into and out of the region.

### **Employment Statistics**

The following table illustrates the unemployment rates for the Hampton Roads MSA, the Commonwealth and the United States for the years since 2010. In 2020, the unemployment rate in the Hampton Roads MSA was 7.3%, which, although a marked increase due to the COVID-19 pandemic, was below the national unemployment rate of 8.1%. As shown, unemployment rates in the Hampton Roads MSA and Virginia, while lower, follow the same trends as the U.S.

**Table 9**  
**Unemployment Rates**  
**2013 – 2023**

<b>Calendar</b>	<b>Hampton Roads</b>		
<u><b>Year</b></u>	<u><b>MSA</b></u>	<u><b>Virginia</b></u>	<u><b>U.S.</b></u>
2013	6.1%	5.6%	7.4%
2014	5.6	5.1	6.2
2015	4.8	4.4	5.3
2016	4.5	4.0	4.9
2017	4.0	3.7	4.4
2018	3.3	3.0	3.9
2019	3.0	2.8	3.7
2020	7.3	6.4	8.1
2021	4.4	3.9	5.3
2022	3.1	2.8	3.6
2023	3.1	2.9	3.6

Source: Virginia Employment Commission Report.

Although large employers such as the Department of Defense are critical to the Hampton Roads economy, the region's employment is, like much of the United States, largely reliant on the success of small businesses, as demonstrated by Tables 10 and 11 below.

**Table 10**  
**Employers by Size of Establishment in Hampton Roads MSA**

	<b>Hampton Roads</b>	
	<u><b>MSA</b></u>	<u><b>Virginia</b></u>
0 to 4 employees	26,730	207,308
5 to 9 employees	6,699	40,586
10 to 19 employees	5,595	30,102
20 to 49 employees	4,102	22,145
50 to 99 employees	1,328	7,462
100 to 249 employees	702	3,930
250 to 499 employees	179	1,066
500 to 999 employees	54	375
1,000 and over employees	<u>54</u>	<u>266</u>
<b>Total</b>	<b>45,443</b>	<b>313,240</b>

Source: Virginia Employment Commission Report.

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**Table 11**  
**Employment by Size of Establishment in Hampton Roads MSA**

	<b>Hampton Roads MSA</b>	<b>Virginia</b>
0 to 4 employees	36,116	261,536
5 to 9 employees	45,015	269,886
10 to 19 employees	76,401	410,082
20 to 49 employees	123,623	669,001
50 to 99 employees	91,922	513,170
100 to 249 employees	103,681	578,899
250 to 499 employees	61,584	364,060
500 to 999 employees	39,147	257,107
1,000 and over employees	<u>162,544</u>	<u>726,652</u>
<b>Total</b>	<b>740,033</b>	<b>4,050,393</b>

Source: Virginia Employment Commission Report.

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As noted earlier in this Appendix D, defense, seaport, healthcare and tourism related industries are major drivers of the regional economy, as demonstrated by the 50 largest employers in the Hampton Roads MSA and the industry-sorted statistics in the following tables.

**Table 12**  
**50 Largest Employers in Hampton Roads MSA**

1. U.S. Department of Defense	26. Stihl
2. Huntington Ingalls Industries, Inc.	27. Suffolk Public Schools
3. Sentara Healthcare	28. Postal Service
4. City of Virginia Beach Schools	29. Williamsburg James City County School Board
5. Wal Mart	30. Harris Teeter Supermarket
6. Riverside Regional Medical Center	31. Kroger
7. City of Virginia Beach	32. Portsmouth City Public Schools
8. Chesapeake City Public School Board	33. Chesapeake General Hospital
9. Norfolk City School Board	34. U.S. Department of Homeland Defense
10. Food Lion	35. Sentara Health Management
11. Newport News Public Schools	36. York County School Board
12. City of Norfolk	37. GEICO, Government Employees Insurance
13. City of Chesapeake	38. The Home Depot
14. City of Newport News	39. Virginia International Terminal
15. The Children's Hospital of the King's Daughters	40. City of Portsmouth
16. Old Dominion University, Norfolk	41. Lowes' Home Centers, Inc.
17. Target Corp	42. Nat'l Aeronautics & Space Admin.
18. Hampton City School Board	43. Security Forces, Inc.
19. Anthem	44. Busch Entertainment Corp.
20. U.S. Navy Exchange	45. Amazon Fulfillment Services Inc.
21. City of Hampton	46. Aya Healthcare
22. U.S. Department of Veterans Affairs	47. Norfolk Naval Station
23. Science Applications International Corporation	48. City of Suffolk
24. Bon Secours Health System Inc	49. Eastern Virginia Medical School
25. College of William and Mary	50. WaWa

Source: Virginia Employment Commission Report.

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**Table 13**  
**Employment by Industry in Hampton Roads MSA**

<b><u>Industry</u></b>	<b><u>Employment</u></b>
Agriculture, Forestry, Fishing and Hunting	644
Mining, Quarrying, and Oil and Gas Extraction	126
Utilities	1,500
Construction	38,767
Manufacturing	57,572
Wholesale Trade	16,661
Retail Trade	76,681
Transportation and Warehousing	26,281
Information	7,724
Finance and Insurance	20,518
Real Estate and Rental and Leasing	12,501
Professional, Scientific, and Technical Service	51,411
Management of Companies and Enterprises	11,875
Administrative and Support and Waste Management	41,189
Educational Services	11,702
Healthcare and Social Assistance	98,672
Arts, Entertainment, and Recreation	13,382
Accommodation and Food Services	72,821
Other Services (except Public Administration)	20,545
Federal Government	59,465
State Government	18,244
Local Government	80,137
Unclassified	1,613

Source: Virginia Employment Commission Report.

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**Table 14**  
**Average Weekly Wage by Industry in Hampton Roads MSA**

<b><u>Industry</u></b>	<b><u>Employment</u></b>
Agriculture, Forestry, Fishing and Hunting	\$ 911
Mining, Quarrying, and Oil and Gas Extraction	1,672
Utilities	2,495
Construction	1,363
Manufacturing	1,546
Wholesale Trade	1,652
Retail Trade	683
Transportation and Warehousing	1,203
Information	1,520
Finance and Insurance	2,076
Real Estate and Rental and Leasing	1,206
Professional, Scientific, and Technical Service	1,788
Management of Companies and Enterprises	2,712
Administrative and Support and Waste Management	980
Educational Services	975
Healthcare and Social Assistance	1,277
Arts, Entertainment, and Recreation	580
Accommodation and Food Services	479
Other Services (except Public Administration)	836
Government Total	1,397
Federal Government	1,881
State Government	1,188
Local Government	1,122
Unclassified	994
<b>Average, All Industries</b>	<b><u>\$1,235</u></b>

Source: Virginia Employment Commission Report.

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**Table 15**  
**Age of Workers by Industry in Hampton Roads MSA**

	<u>14-18</u>	<u>19-21</u>	<u>22-24</u>	<u>25-34</u>	<u>35-44</u>	<u>45-54</u>	<u>55-64</u>	<u>65+</u>
Agriculture, Forestry, Fishing, Hunting	51	60	61	141	132	126	149	117
Mining/Quarrying/Oil and Gas Extraction	-	-	5	29	22	15	21	16
Utilities	16	87	170	967	1,264	1,072	991	219
Construction	413	1,645	2,075	8,650	9,446	8,286	7,814	3,238
Manufacturing	247	1,767	2,468	12,145	12,430	10,463	12,077	3,754
Wholesale Trade	63	385	728	3,860	4,648	4,381	4,140	1,592
Retail Trade	4,138	7,895	6,395	16,014	14,458	11,928	11,951	6,691
Transportation and Warehousing	179	1,389	1,770	6,217	6,328	5,842	5,183	1,837
Information	341	444	444	1,931	2,302	2,329	1,803	776
Finance and Insurance	28	254	608	4,749	6,269	5,227	4,053	1,320
Real Estate/Rental and Leasing	172	424	610	2,785	3,177	2,707	2,685	1,383
Professional/Scientific/Technical Serv.	207	1,037	2,297	11,884	12,216	11,277	10,241	4,451
Management of Companies/Enterprises	215	513	728	3,349	3,527	3,179	2,894	1,096
Administrative/Support and Waste Mgmt.	423	2,079	2,992	12,364	11,334	9,380	7,910	4,019
Educational Services	432	1,074	1,728	9,579	14,188	15,835	15,317	6,812
Health Care and Social Assistance	607	2,847	5,161	23,934	26,749	22,919	20,006	8,386
Arts, Entertainment, and Recreation	3,050	2,475	1,764	3,687	3,099	2,656	2,525	1,626
Accommodation and Food Services	10,578	10,784	6,982	16,084	13,094	9,096	7,148	3,795
Other Serv. (except Public Administration)	827	1,371	1,415	4,514	4,458	3,911	3,791	2,182
Public Administration	<u>196</u>	<u>409</u>	<u>801</u>	<u>4,169</u>	<u>5,181</u>	<u>5,475</u>	<u>5,091</u>	<u>1,972</u>
<b>Total, All Industries</b>	<u>22,183</u>	<u>36,941</u>	<u>39,200</u>	<u>147,051</u>	<u>154,324</u>	<u>136,105</u>	<u>125,790</u>	<u>55,281</u>

Sources: U.S. Census Bureau and Virginia Employment Commission Report.

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## Per Capita Personal Income

Presented below are tables focusing on per capita personal income for the entire Hampton Roads MSA, and thereafter on the Member Localities individually. Per capita income is defined as total personal income divided by the area's residential population. Total personal income is a measurement of income from all sources.

**Table 16**  
**Per Capita Personal Income Comparison**  
**2012 – 2022**

<b><u>Calendar</u></b> <b><u>Year</u></b>	<b><u>Hampton</u></b> <b><u>Roads MSA</u></b>	<b><u>Virginia</u></b>	<b><u>U.S.</u></b>
2012	\$44,134	\$49,320	\$44,247
2013	44,097	48,956	44,425
2014	45,276	50,345	46,392
2015	46,400	52,687	48,940
2016	46,992	53,605	49,870
2017	48,485	55,631	52,118
2018	50,355	57,964	54,606
2019	49,553	59,073	56,250
2020	52,895	62,189	59,765
2021	56,716	66,305	64,143
2022	57,873	69,021	65,473

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System (hereinafter, "Bureau of Economic Analysis").

**Table 17**  
**Per Capita Income by Member Locality**  
**2022**

<b><u>Member</u></b> <b><u>Locality</u></b>	<b><u>Per Capita</u></b> <b><u>Income</u></b>
City of Chesapeake	\$58,478
City of Franklin/Southampton County	50,266
City of Hampton	48,525
City of Newport News	46,873
City of Norfolk	47,898
City of Poquoson/York County	67,917
City of Portsmouth	46,025
City of Suffolk	60,770
City of Virginia Beach	65,986
James City County/City of Williamsburg	75,891
Isle of Wight County	63,847

Source: Bureau of Economic Analysis.

## Education

The Hampton Roads area is the home for a number of higher educational institutions: in Williamsburg, The College of William and Mary (approximately 9,762 students); in Newport News, Christopher Newport University (approximately 4,503 students); in Hampton, Hampton University (approximately 3,649 students); in Norfolk, Norfolk State University (approximately 6,045 students) and Old Dominion University (approximately 22,541 students); in Virginia Beach, Virginia Wesleyan University (approximately 1,713 students) and Regent University (approximately 12,467 students); and Eastern Virginia Medical School in Norfolk (approximately 1,221 students). Tidewater Community College has campuses throughout the Hampton Roads area with a total enrollment of approximately 15,912. The forgoing totals are provided for the Fall 2023 term from the State Council of Higher Education for Virginia.

The Hampton Roads MSA is home to a fairly well-educated population, as shown in Table 18 below.

**Table 18**  
**Educational Attainment in Hampton Roads MSA**

	<b><u>Hampton Roads</u></b> <b><u>MSA</u></b>	<b><u>Virginia</u></b>	<b><u>United States</u></b>
8 <sup>th</sup> Grade or less	34,177	275,329	12,639,425
Some High School	90,836	464,075	20,093,117
High School Grad/GED	345,272	1,633,105	68,044,371
Some College	372,661	1,457,887	57,431,237
Associate's Degree	110,215	440,219	18,586,866
Bachelor's Degree	218,466	1,258,661	42,027,629
Graduate or Professional Degree	<u>124,555</u>	<u>862,686</u>	<u>24,008,551</u>
	<b>1,296,182</b>	<b>6,391,962</b>	<b>242,831,196</b>

Source: U.S. Census Bureau, American Community Survey, 2011-2015 and Virginia Employment Commission Report.

## Tax Base Data

The tables presented below summarize ten years of historical taxable retail sales from the Member Jurisdictions. The data is not specific to the tax base for the Additional Sales and Use Tax included within the HRTF, but is based on the tax base for the statewide and local option retail sales and use taxes. The data does not include sales which are exempt from taxation. Also, the figures do not include the significant amount of non-taxable sales on military bases in the region.

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**Table 19**  
**PLANNING DISTRICT 23 HISTORICAL TAXABLE RETAIL SALES<sup>(1)</sup>**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Isle of Wight Co.	\$ 202,181,719	\$ 212,836,390	\$ 220,426,281	\$ 224,436,001	\$ 236,926,649
James City County	928,447,217	950,407,956	1,002,337,085	993,784,681	982,030,980
Southampton Co.	45,106,012	46,712,769	45,382,015	44,707,780	43,903,421
York County	882,105,332	889,086,749	922,303,790	939,115,512	949,567,169
Chesapeake City	3,156,162,495	3,239,193,243	3,343,105,780	3,425,962,195	3,514,278,566
Franklin City	158,121,626	156,495,518	162,315,899	162,713,731	164,268,775
Hampton City	1,341,696,078	1,365,676,976	1,396,275,490	1,369,473,557	1,354,676,659
Norfolk City	2,635,223,970	2,621,266,232	2,671,631,730	2,698,815,474	2,800,002,004
Portsmouth City	603,127,114	613,854,126	619,199,126	615,214,858	609,799,751
Newport News City	2,061,726,939	2,018,911,218	2,082,466,488	2,137,255,812	2,188,701,991
Poquoson City	50,061,535	50,505,443	52,684,184	53,034,017	52,879,880
Suffolk City	729,619,398	759,946,651	821,340,721	872,967,019	895,475,060
Virginia Beach City	5,064,938,738	5,159,858,692	5,374,616,764	5,530,431,346	5,597,203,814
Williamsburg	<u>384,692,454</u>	<u>369,902,748</u>	<u>389,879,512</u>	<u>390,892,339</u>	<u>400,643,947</u>
	\$18,243,210,624	\$18,454,654,709	\$19,103,964,864	\$19,458,804,321	\$19,790,358,666
Increase (Decrease)	2.1%	1.2%	3.4%	1.8%	1.7%

Sources: University of Virginia Weldon Cooper Center for Public Service: Center for Economic Policy Studies, and Virginia Department of Taxation: Taxable Sales Summary Report (Annual Report).

Note: <sup>(1)</sup> Totals may not add up due to rounding.

**Table 19 (Continued)**  
**PLANNING DISTRICT 23 HISTORICAL TAXABLE RETAIL SALES<sup>(1)</sup>**

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Isle of Wight Co.	\$ 239,894,599	\$ 235,286,198	\$ 263,222,947	\$ 293,596,370	\$318,542,535	\$328,521,077
James City County	963,154,495	955,037,318	792,798,958	1,011,785,888	1,095,982,130	1,137,073,850
Southampton Co.	48,221,427	50,295,097	55,821,544	58,987,290	61,053,043	64,713,298
York County	960,938,398	971,997,702	909,613,349	1,067,695,500	1,136,787,955	1,190,446,747
Chesapeake City	3,616,819,973	3,597,884,568	3,708,701,438	4,211,596,821	4,478,441,472	4,577,858,448
Franklin City	165,928,106	161,178,318	480,345,237	187,173,841	201,013,282	219,108,393
Hampton City	1,378,896,759	1,387,274,077	1,435,291,064	1,619,853,945	1,693,512,502	1,747,473,961
Norfolk City	2,881,209,414	2,973,652,023	2,906,135,287	3,273,896,511	3,472,260,892	3,589,391,001
Portsmouth City	614,321,844	613,457,381	702,564,406	753,762,191	796,366,273	865,315,112
Newport News City	2,256,228,196	2,308,575,953	2,283,051,950	2,616,017,491	2,713,983,974	2,819,986,683
Poquoson City	52,952,914	49,655,125	55,958,473	60,641,791	67,759,558	71,445,134
Suffolk City	956,916,039	976,127,267	1,033,087,541	1,154,770,752	1,246,180,461	1,319,229,254
Virginia Beach City	5,658,176,716	5,763,591,049	5,656,494,141	6,671,233,263	6,971,231,371	7,101,906,110
Williamsburg	<u>408,899,048</u>	<u>418,177,903</u>	<u>317,688,380</u>	<u>423,282,601</u>	<u>470,057,819</u>	<u>492,265,420</u>
	\$20,202,557,928	\$20,462,189,979	\$20,600,774,715	\$23,404,294,257	\$24,723,175,289	\$25,524,736,511
Increase (Decrease)	2.1%	1.3%	0.7%	13.6%	5.6%	3.2%

Sources: University of Virginia Weldon Cooper Center for Public Service: Center for Economic Policy Studies, and Virginia Department of Taxation: Taxable Sales Summary Report (Annual Report).

Note: <sup>(1)</sup> Totals may not foot due to rounding.



As demonstrated above, the five most populous Member Localities (the Cities of Virginia Beach, Chesapeake, Norfolk, Newport News, and Hampton) account for 77.72% of the region's 2023 taxable sales. The average annual growth rate of taxable sales in the Member Localities was approximately 3.34% from 2013 through 2023.

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## **APPENDIX E**

### **HRTAC REVENUES AND EXPENSES**

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**Table 1**  
**HRTF Revenues**

	FY2018	FY2019 <sup>(1)</sup>	FY2020 <sup>(1)</sup>	FY2021	FY2022	FY2023	FY2024	TOTAL FY2018-2024
Chesapeake	\$32,250,621	\$39,727,050	\$36,670,438	\$42,457,778	\$44,535,902	\$45,855,123	\$46,933,736	\$288,430,647
Franklin	1,579,266	4,158,309	2,281,780	2,497,165	2,507,746	2,727,649	2,888,105	18,640,020
Hampton	12,320,071	15,389,473	15,148,360	16,724,966	17,712,054	18,290,214	19,455,831	115,040,969
Isle of Wight	2,691,809	3,414,924	3,408,826	3,638,012	3,860,736	4,026,479	4,584,929	25,625,715
James City	7,676,723	10,032,285	7,749,736	8,836,580	11,096,944	11,323,798	11,994,381	68,710,447
Newport News	17,959,888	24,299,573	21,392,551	24,082,252	25,544,962	26,900,229	27,293,510	167,472,966
Norfolk	23,756,517	32,363,142	29,026,351	32,256,801	34,103,037	35,174,347	36,985,621	223,665,817
Poquoson	388,414	706,306	574,820	655,421	709,501	726,742	783,026	4,544,231
Portsmouth	5,602,132	8,121,980	7,607,733	8,473,820	8,785,357	9,592,320	9,923,020	58,106,362
Southampton	930,823	1,344,397	1,197,770	1,204,844	1,263,699	1,302,111	1,420,784	8,664,428
Suffolk	8,350,181	13,129,408	11,519,309	13,600,665	13,780,282	14,860,406	15,590,151	90,830,402
Virginia Beach	44,479,314	58,873,702	52,591,130	60,231,330	65,573,107	67,092,495	70,422,367	419,263,445
Williamsburg	3,677,161	4,239,562	3,606,413	3,602,852	3,593,602	3,876,329	4,169,342	26,765,261
York	7,540,450	9,880,288	8,438,220	9,281,526	10,509,674	10,925,598	11,167,623	67,743,380
<b>Total<sup>(2)</sup></b>	<u>\$169,203,370</u>	<u>\$225,680,398</u>	<u>\$201,213,437</u>	<u>\$227,544,012</u>	<u>\$243,576,604</u>	<u>\$252,673,840</u>	<u>\$263,612,429</u>	<u>\$1,583,504,089</u>
Interest <sup>(3)</sup>								
Investment Income <sup>(4)</sup>	321,499	1,000,093	669,108	363,661	151,986	3,273,956	5,202,784	10,983,086
Bond Proceeds & TIFIA Draws	8,868,404	29,869,111	26,275,750	3,240,006	(608,304)	61,182,839	82,726,183	211,553,989
	<u>583,270,073</u>	<u>-</u>	<u>452,833,507</u>	<u>744,588,450</u>	<u>988,769,952</u>	<u>1,147,990,000</u>	<u>219,416,153</u>	<u>2,769,461,982</u>
<b>Total Revenue</b>	<u>\$761,663,346</u>	<u>\$256,549,602</u>	<u>\$680,991,802</u>	<u>\$975,736,128</u>	<u>\$1,231,890,239</u>	<u>\$1,465,120,635</u>	<u>\$570,957,549</u>	<u>\$4,575,503,147</u>

Source: VDOT report "Revenues by Locality;" Interest and Investment Income: HRTAC.

Notes: <sup>(1)</sup> Due to an accounting change made in Fiscal Year 2020, in order to match the Virginia Department of Transportation's income, Fiscal Year 2019 reflects a total of 13 months of Sales and Use Tax and 14 months of Fuels Tax, while Fiscal Year 2020 reverts to 12 months of each. Sales and Use Tax income for the 13th month is \$5,208,176 and Fuels Tax income for the 13th and 14th months are \$4,546,003 and \$4,874,997, respectively.

<sup>(2)</sup> Totals may not add up due to rounding.

<sup>(3)</sup> Interest income from funds in State Treasury and in bank accounts held by HRTAC.

<sup>(4)</sup> Investment income from local government investment pool managed by PFM Asset Management LLC.

**Table 2**  
**Hampton Roads Transportation Fund (HRTF)**  
**Revenues and Expenditures**

	Gross Revenue <sup>(1)</sup>							Expenditures						Cumulative Balance
	Sales and Use Tax	Fuels Tax	Interest	Investment Income	Other Income	Bond Proceeds	Total	Projects	Dept. of Taxation Admin Fee <sup>(2)</sup>	Investment Fees	Bond Expenses	Operating Expenses	Total	7/1/13 – 06/30/23
July 2013 – June 2023	\$1,471,576,483	\$474,132,998	\$7,880,436	\$131,384,957	\$759,274	\$2,746,446,175	\$4,832,180,323	\$2,779,163,038	\$1,046,859	\$2,179,056	\$207,220,344	\$21,534,824	\$3,011,144,120	\$ 1,821,036,203
July 2023	14,031,406	6,156,518	477,335	7,047,675	-	-	27,712,934	-	-	35,848	3,759,051	117,299	3,912,198	1,844,836,938
August 2023	17,931,101	5,764,717	522,816	6,975,624	-	-	31,194,257	-	93	35,947	3,759,051	114,753	3,909,844	1,872,121,351
September 2023	16,240,455	5,587,353	695,023	6,329,061	-	-	28,851,893	23,725,295	-	34,839	3,759,051	226,681	27,745,866	1,873,227,378
October 2023	14,798,638	5,063,758	376,020	7,080,626	-	-	27,319,041	40,333,110	-	35,039	3,759,051	260,825	44,388,026	1,856,158,394
November 2023	16,214,789	5,384,752	219,906	8,288,937	-	148,626,690	178,735,075	44,242,019	-	35,573	4,026,342	561,906	48,865,840	1,986,027,629
December 2023	17,861,253	5,994,188	425,653	9,584,551	12,500	-	33,878,146	47,358,761	-	36,246	4,026,390	555,963	51,977,360	1,967,928,415
January 2024	13,779,845	5,390,553	250,532	7,218,770	-	-	26,639,699	44,932,375	-	-	4,169,864	214,936	49,317,175	1,945,250,939
February 2024	14,955,920	5,204,299	303,560	5,335,396	-	-	25,799,175	95,617,686	-	36,317	4,169,858	129,188	99,953,048	1,871,097,066
March 2024	15,890,741	5,069,732	370,343	6,343,418	12,500	-	27,686,734	56,520,259	-	32,770	4,169,864	149,405	60,872,298	1,837,911,502
April 2024	16,192,604	5,885,237	248,380	5,111,120	-	-	27,437,341	353,382	-	33,766	4,169,873	181,587	4,738,607	1,860,610,236
May 2024	17,001,456	6,809,278	647,775	6,664,848	-	70,789,463	101,912,820	74,507,253	38,129	-	4,169,873	99,409	78,814,663	1,883,708,392
June 2024	21,633,397	4,770,439	665,440	6,746,157	25,000	-	33,840,433	123,693,603	-	70,947	4,338,958	1,517,778	129,621,286	1,787,927,540
<b>Total 12 Months</b>	<u>\$196,531,605</u>	<u>\$67,080,823</u>	<u>\$5,202,784</u>	<u>\$82,726,183</u>	<u>\$50,000</u>	<u>\$219,416,153</u>	<u>\$571,007,549</u>	<u>\$551,283,742</u>	<u>\$38,222</u>	<u>\$387,293</u>	<u>\$48,277,224</u>	<u>\$4,129,730</u>	<u>\$604,116,212</u>	<u>\$ (1,991,464,075)</u>
<b>Grand Totals</b>	<u>\$1,668,108,088</u>	<u>\$541,213,821</u>	<u>\$13,083,220</u>	<u>\$214,111,140</u>	<u>\$809,274</u>	<u>\$2,965,862,328</u>	<u>\$5,403,187,872</u>	<u>\$3,330,446,780</u>	<u>\$1,085,082</u>	<u>\$2,566,349</u>	<u>\$255,497,568</u>	<u>\$25,664,554</u>	<u>\$3,615,260,332</u>	
<b>Less Balance of Encumbered (through FY2030)</b>														
<b>Total Net Available<sup>(3)</sup></b>														<u>\$ (203,536,535)</u>

Source: HRTAC.

Notes: <sup>(1)</sup> November 2018 Wholesale Fuels Tax revenue includes a \$9,865,900 Special Audit Assessment adjustment sourced from a vendor audit settlement. January 2019 Wholesale Fuels Tax revenue includes \$510,330 in adjustments from a Special Audit Assessment and a vendor audit settlement. February 2019 Wholesale Fuels Tax revenue includes \$806,491 from a vendor audit assessment.

<sup>(2)</sup> The Department of Taxation Administrative Fee is a fee charged by the Department of Motor Vehicles for fuels tax audit costs.

<sup>(3)</sup> Total Net Available does not include TIFIA loans not drawn on or HRTF future revenues through FY2028.

**Table 3**  
**Hampton Roads Transportation Fund (HRTF)**  
**Transportation Project Expenditures**

Project	Total FY 2015 – FY 2023	Total FY 2024	Total
I-64 Peninsula Widening			
UPC 104905/111926 - Segment 1 - PE/Construction	\$ 11,608,384	\$ -	\$ 11,608,384
UPC 106665 - Segment 2 - PE/ROW/Construction	159,559,703	-	159,559,703
UPC 109790/106689 - Segment 3 - PE	5,754,521	8,327	5,762,848
UPC 109790/106689 - Segment 3 - Construction	91,846,979	40,577	91,887,556
UPC 123656 - Denbigh Blvd Interchange Phase 2 East Bound - Design/ROW	-	1,032,299	1,032,299
I-64/264 Interchange Improvement			
UPC 57048/108042 - Phase I - PE/ROW	15,071,063	-	15,071,063
UPC 57048/108042 - Phase I - Construction	122,235,275	2,788,764	125,024,039
UPC 17630/108041 - Phase II - PE/ROW	54,592,576	-	54,592,576
UPC 17630/108041 - Phase II - Construction	73,157,062	-	73,157,062
UPC 106693 - Phase III - PE & ROW	6,119,431	1,365,124	7,484,554
I-64 Southside Widening/High-Rise Bridge			
UPC 106692 - Phase I - PE	12,189,098	-	12,189,098
UPC 106692/108990 - Phase I - ROW/Construction	360,673,832	(5,231,852)	355,441,980
I-64 HRBT Expansion Project			
UPC 115008 - I-64 HRBT Expansion Project D-B Contract	1,627,306,147	357,789,920	1,985,096,067
UPC 115009 - I-64 HRBT Expansion Project Owners Oversight	116,275,040	111,480,629	227,755,669
HRELN Segment 1 Phase 1 PE - UPC			
UPC 117840 - Segment 1 Phase 1 - PE	5,621,500	-	5,621,500
UPC 117839 - Segment 4A/4B Phase 1 - PE	5,916,425	-	5,916,425
UPC 117841 - Segment 4C Phase 1 - PE	6,062,743	-	6,062,743
UPC 119637 - Segment 1A - PE/ROW/Construction	2,671,455	36,837	2,708,292
UPC 120863 - Segment 1B - PE/ROW/Construction	1,636,100	1,205,279	2,841,379
UPC 119824 - Segment 4A/4B - PE/ROW/Construction	1,827,276	10,401,748	12,229,024
UPC 119638 - Segment 4C - PE/ROW/Construction	57,817,978	66,413,162	124,231,140
UPC 122999 - Transportation Management Plan	-	-	-
UPC 122714 - I-464/I-64 Interchange Improvements - Full Interchange Access Report Development Project	-	928,675	928,675
UPC 120375 & 123322 - I-64/I-464 Interchange Exit 291 Flyover Ramp Improvements	-	-	-
HRCS Preferred Alternative Refinement – HRBT UPC 110577 - SEIS	28,800,287	-	28,800,287
460/58/13 Connector Study - UPC 106694 - PE	1,095,368	-	1,095,368
Bowers Hill Interchange Study - UPC 111427	5,905,879	1,107,322	7,013,201
UPC 122761 - I-264 Independence Blvd Interchange IAR	-	335,848	335,848
HR Regional Connector Study – HRTPO (Remaining Projects of Third Crossing)	5,418,917	1,581,083	7,000,000
<b>Total</b>	<b>\$ 2,779,163,037</b>	<b>\$ 551,283,743</b>	<b>\$ 3,330,446,780</b>

Source: HRTAC.

**Table 4**  
**FY 2024 Hampton Roads Transportation Accountability Commission HRTF Collections**

<b>Member Locality</b>	<b>Sales and Use Tax</b>	<b>Fuels Tax</b>	<b>Total</b>	<b>%</b>	<b>Current Rating (Moody's/S&amp;P/Fitch)</b>
Chesapeake	\$35,019,900	\$11,913,837	\$46,933,736	17.80%	Aaa/AAA/AAA
Franklin	1,364,642	1,523,463	2,888,105	1.10	A1/AA/NR
Hampton	13,697,422	5,758,410	19,455,831	7.38	Aa1/AA+/AA
Isle of Wight	2,835,023	1,749,906	4,584,929	1.74	Aa2/AA+/AA
James City	9,047,588	2,946,794	11,994,381	4.55	Aaa/AAA/AAA
Newport News	20,524,657	6,768,854	27,293,510	10.35	Aa1/AA+/NR
Norfolk	28,089,148	8,896,473	36,985,621	14.03	Aa2/AAA/AA+
Poquoson	640,694	142,332	783,026	0.30	Aa2/AAA/NR
Portsmouth	7,251,903	2,671,118	9,923,020	3.76	Aa2/AA+/AA-
Southampton	640,211	780,573	1,420,784	0.54	Aa3/AA-/NR
Suffolk	10,197,947	5,392,205	15,590,151	5.91	Aaa/AAA/AAA
Virginia Beach	55,221,298	15,201,070	70,422,367	26.71	Aaa/AAA/AAA
Williamsburg	3,677,992	491,350	4,169,342	1.58	Aa1/AAA/NR
York	8,323,183	2,844,440	11,167,623	4.24	NR/NR/NR
<b>Total</b>	<b><u>\$196,531,605</u></b>	<b><u>\$67,080,823</u></b>	<b><u>\$263,612,429</u></b>	<b>100.00%</b>	

Sources: HRTAC and Rating Agencies (Moody's/S&P/Fitch).



**Table 5**  
**HRTAC Operating Budget, FY 2025**

<b>CATEGORY</b>	<b>FY 2025 APPROVED BUDGET**</b>
REVENUES	
HRTF Revenues	\$6,606,968
HRRTF Revenues	<u>355,825</u>
TOTAL REVENUE	<b><u>\$6,962,793</u></b>
EXPENDITURES	
PERSONNEL*	
HRTAC Staff/Fringes/Leave Reserve	\$1,373,207
HRTPO/HRPDC Support Staff*	<u>250,145</u>
SUBTOTAL PERSONNEL	<b><u>\$1,623,352</u></b>
PROFESSIONAL SERVICES	
Audit	\$134,925
Rating Agency Annual Fees	100,000
Trustee	30,000
TIFIA Annual Fees	131,016
Bank Fees & Investment Services	600,000
Legal	1,311,000
Financial Advisors	500,000
Consulting Engineer	450,000
Insurance - D&O/Liability	10,000
Recruiting	2,000
Debt Program/T&R Study	<u>1,868,000</u>
SUBTOTAL PROFESSIONAL SERVICES	<b><u>\$5,136,941</u></b>
TECHNOLOGY/COMMUNICATION*	
IT/Communications	\$35,000
LAN system/Computer Equipment/Cloud	25,000
Website Consultant	<u>10,000</u>
SUBTOTAL TECHNOLOGY/COMMUNICATION	<b><u>\$70,000</u></b>
ADMINISTRATIVE*	
Public Notices/Advertising	\$4,000
Office Space	35,000
Office Supplies*	20,000
Furniture	15,000
Printing/Copying*	6,000
Dues/Subscriptions	3,000
Travel	8,000
Meeting Expenses*	18,000
Telephone*	1,500
Postage*	1,000
General Consulting Services*	10,000
Secured Document Storage	6,000
Professional Development	<u>5,000</u>
SUBTOTAL ADMINISTRATIVE	<b><u>\$132,500</u></b>
TOTAL EXPENDITURES	<b><u>\$6,962,793</u></b>
BUDGET BALANCE	

Source: HRTAC.

\* Includes items to be reimbursed to HRPDC/HRTPO.

\*\* Pursuant to § 33.2-2605 of the Code of Virginia, expenses shall be paid from the Hampton Roads Transportation Fund and the Hampton Roads Regional Transit Fund on an approximately pro rata basis.

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## **APPENDIX F**

### **FORM OF BOND COUNSEL OPINION**

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## PROPOSED FORM OF BOND COUNSEL OPINION

*Set forth below is the proposed form of the opinion of Kaufman & Canoles, a Professional Corporation, bond counsel, with respect to the Series 2024A Bonds. It is preliminary and subject to change prior to the delivery of the Series 2024A Bonds.*

\_\_\_\_\_, 2024

Hampton Roads Transportation  
Accountability Commission  
Chesapeake, Virginia

**Hampton Roads Transportation Accountability Commission**  
\$ \_\_\_\_\_  
**Hampton Roads Transportation Fund**  
**Senior Lien Revenue Bonds**  
**Series 2024A**

Ladies and Gentlemen:

We have examined the applicable law and certified copies of proceedings and documents relating to the issuance and sale by the Hampton Roads Transportation Accountability Commission (the “Commission”), of its \$ \_\_\_\_\_ Hampton Roads Transportation Fund Senior Lien Revenue, Series 2024A (the “Series 2024A Bonds”). Reference is made to the form of the Series 2024A Bonds for information concerning their details, including payment and redemption provisions, and the documents and proceedings pursuant to which they are issued, including a Master Indenture of Trust dated as of February 1, 2018 (the “Master Indenture”) between the Commission and Wilmington Trust, National Association (the “Master Trustee”), as previously supplemented and amended, and as further supplemented by an Eleventh Supplemental Series Indenture of Trust dated as of October 1, 2024 (the “2024A Supplement” and, collectively, the “Indenture”). All capitalized terms used but not defined herein have the same meaning ascribed to such terms in the Indenture.

Without undertaking to verify the same by independent investigation, we have relied on certifications by representatives of the Commission as to certain facts relevant to both our opinion and the Commission’s observance of certain requirements of the Internal Revenue Code of 1986, as amended (the “Code”). The Commission has covenanted to comply with the current provisions of the Code regarding, among other matters, the use, expenditure and investment of the proceeds of the Series 2024A Bonds and the timely payment to the United States of any arbitrage rebate amounts with respect to the Series 2024A Bonds, all as set forth in the proceedings and documents relating to the issuance of the Series 2024A Bonds (the “Covenants”). In rendering the following opinions, we have assumed that all signatures on documents, certificates and instruments examined

by us are genuine, all documents, certificates and instruments submitted to us as originals are authentic, and all documents, certificates and instruments submitted to us as copies conform to the originals. In addition, we have assumed that all documents, certificates and instruments relating to the Series 2024A Bonds have been duly authorized, executed and delivered by all parties thereto other than the Commission, and are valid, binding, and enforceable against such other parties. We have further assumed the due organization, existence and powers of such other parties.

Based on the foregoing, and subject to the limitations hereinafter stated, we are of the opinion that:

1. The Series 2024A Bonds have been authorized and issued in accordance with the Constitution and statutes of the Commonwealth of Virginia and constitute valid and binding limited obligations of the Commission payable solely from the revenues pledged by the Commission for such purpose under the Indenture. The Series 2024A Bonds and the interest thereon do not constitute a pledge of the faith and credit of the Commonwealth of Virginia or of any political subdivision thereof, including the Commission or any of its Member Localities. The Indenture provides that the Commission's authority to receive any or all of the "HRTAC Revenues" (as defined in the Indenture) is subject to appropriation by the General Assembly of the Commonwealth, and neither the General Assembly nor the Commission can or will pledge, covenant or agree to impose or maintain at any particular rate or level any of the taxes or other revenues dedicated to the HRTF by the Commonwealth. The General Assembly is not obligated to make such appropriations.

2. The Indenture has been duly authorized, executed and delivered by the Commission and, assuming due authorization, execution and delivery thereof by the Master Trustee, constitutes a valid and binding obligation of the Commission, enforceable in accordance with its terms, and the 2024A Supplement complies in all respects with the requirements of the Master Indenture.

3. The rights of the holders of the Series 2024A Bonds and the enforceability of such rights, including the enforcement of the obligations of the Commission under the Indenture, may be limited or otherwise affected by (a) bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other laws affecting the rights of creditors generally, and (b) principles of equity, whether considered at law or in equity.

4. Under current law, interest on the Series 2024A Bonds (a) is excludable from gross income for Federal income tax purposes, and (b) is not a specific item of tax preference for purposes of the Federal alternative minimum tax for individuals; however, such interest is included in the "adjusted financial statement income" (as defined in Section 56A of the Code) of certain corporations in determining the applicability and amount of the federal corporate alternative minimum tax imposed under Section 55(b) of the Code. The opinion in the preceding sentence is subject to the condition that there is compliance subsequent to the issuance of the Series 2024A Bonds with all requirements of the Code that must be satisfied in order that interest thereon not be included in gross income for Federal income tax purposes. Failure by the Commission to comply with the Covenants, among other things, could cause interest on the Series 2024A Bonds to be included in gross income for Federal income tax purposes retroactively to their date of issue. We express no opinion regarding other Federal tax consequences of the ownership of or receipt or accrual of interest on the Series 2024A Bonds.

5. Under current law, interest on the Series 2024A Bonds is exempt from income taxation by the Commonwealth of Virginia.

6. Additional Series of Bonds may be issued from time to time hereafter under the conditions, limitations, and restrictions set forth in the Master Indenture and may be secured equally and ratably thereunder on a parity with the Series 2024A Bonds and other Outstanding Senior Bonds issued under the Indenture.

Our services as bond counsel to the Commission have been limited to delivering the foregoing opinion based on our review of such proceedings and documents as we deem necessary to approve the validity of the Series 2024A Bonds and the tax-exempt status of the interest thereon. We express no opinion herein as to the financial resources of the Commission, its ability to provide for payment of the Series 2024A Bonds or the accuracy or completeness of any information, including the Commission's Preliminary Official Statement dated September 30, 2024, and its Official Statement dated October \_\_, 2024, that may have been relied upon by anyone in making the decision to purchase Series 2024A Bonds.

The opinions expressed herein are for your benefit and the benefit of your successors and assigns and may not, without our prior written consent, be distributed to or relied upon by any other person. Our opinions are expressed as of the date hereof, and we do not assume any obligation to update or supplement our opinions to reflect any fact or circumstance subsequently arising or any change in law subsequently occurring. Our opinions expressed herein are limited to the matters expressly stated, and no opinion is implied or may be inferred beyond such matters.

Very truly yours,

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## **APPENDIX G**

### **INFORMATION REGARDING THE DEPOSITORY TRUST COMPANY AND ITS BOOK-ENTRY SYSTEM**

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## **INFORMATION REGARDING THE DEPOSITORY TRUST COMPANY AND ITS BOOK-ENTRY SYSTEM**

**The description which follows of the procedures and recordkeeping with respect to beneficial ownership interests in the Bonds, payments of principal of and premium, if any and interest on the Series 2024A Bonds to The Depository Trust Company, New York, New York (“DTC”), its nominee, Participants or Beneficial Owners (each as hereinafter defined), confirmation and transfer of beneficial ownership interests in the Bonds and other bond-related transactions by and between DTC, Participants and Beneficial Owners is based solely on information furnished by DTC.**

DTC will act as securities depository for the Series 2024A Bonds. The Series 2024A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2024A Bond certificate will be issued for the Series 2024A Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (the “Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has an S&P rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of the Series 2024A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2024A Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (the “Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners, however, are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2024A Bonds are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2024A Bonds, except in the event that use of the book-entry system for the Series 2024A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2024A Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2024A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2024A Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2024A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holding on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by

arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2024A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2024A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the documents relating to the Series 2024A Bonds. For example, Beneficial Owners of Series 2024A Bonds may wish to ascertain that the nominee holding the Series 2024A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee as bond registrar (the “Registrar”) and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2024A Bonds are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2024A Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Commission or the Registrar as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and redemption proceeds on the Series 2024A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the Commission or the Registrar, on payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC, the Commission or the Registrar subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Commission or the Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2024A Bonds at any time by giving reasonable notice to the Commission or the Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2024A Bond certificates will be printed and delivered.

The Commission may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2024A Bond certificates will be printed and delivered.

**The information in this section concerning DTC and DTC’s book-entry system has been obtained from sources that the Commission believes to be reliable, but the Commission takes no responsibility for the accuracy thereof.**

**Neither the Commission nor the Registrar has any responsibility or obligation to the Direct or Indirect Participants or the Beneficial Owners with respect to (a) the accuracy of any records maintained by DTC or any Direct or Indirect Participant; (b) the payment by any Direct or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal of and interest on the Series 2024A Bonds; (c) the delivery or timeliness of delivery by any Direct or Indirect Participant of any notice to any Beneficial Owner that is required or permitted under the terms of the Master Indenture to be given to Bondholders; or (d) any other action taken by DTC, or its nominee, Cede & Co., as Bondholder, including the effectiveness of any action taken pursuant to an Omnibus Proxy.**

**So long as Cede & Co. is the registered owner of the Series 2024A Bonds, as nominee of DTC, references in this Official Statement to the Owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners, and Cede & Co. will be treated as the only holder of Series 2024A Bonds for all purposes under the Master Indenture.**

**The Commission may enter into amendments to the agreement with DTC or successor agreements with a successor securities depository, relating to the book-entry system to be maintained with respect to the Series 2024A Bonds without the consent of Beneficial Owners or bondholders.**

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