Tampa-Hillsborough County Expressway Authority
Minutes of May 10, 2021 Board Committees of the Whole Meeting
Port of Tampa
1104 E. Twiggs Street
Tampa, FL 33602

The Tampa-Hillsborough County Expressway Authority held a public meeting at 1:30 p.m. on May 10, 2021, at the Port of Tampa, 815 Channelside Drive, Cruise Terminal 3, 2nd Floor. The following were present:

BOARD:
Vince Cassidy, Chairman
Bennett Barrow, Vice Chairman
Daniel Alvarez, Secretary
John Weatherford, Member
FDOT D-7 Secretary David Gwynn
Commissioner Ken Hagan, Member

STAFF:
Joe Waggoner
Amy Lettelleir
Sue Chrzan
Bob Frey
Brian Pickard
Jeff Seward
Anna Quinones
Chaketa Mister
Charlene Ponce
Brian Ramirez
Julie Aure
Man Le
Lisa Pessina

OTHERS:
Jim Drapp, HNTB
Al Stewart, HNTB
Ian Whitney, City of Tampa, Mayor's Office

CALL TO ORDER
The meeting was called to order by Mr. Joe Waggoner at 1:30 pm.

I. Introduction/Workshop Purpose – *Joe Waggoner*

Mr. Joe Waggoner reviewed the purpose of the workshop, to review and discuss the operating budget and the work program. He noted an additional item on the agenda regarding the Selmon Lighting Schemes and introduced Mr. Brian Pickard to report on the lighting plan and constraints.

II. Operations & Maintenance Committee – *Bennett Barrow, Chair – Brian Pickard & Sue Chrzan, Staff*

1. **Selmon Lighting Color Schemes**

by FDOT. He reviewed the different schemes, noting that the plan is to rotate the eight standard schemes throughout the year, with the exceptions of some pre-identified holidays and events. Those holidays and events would be pre-programmed for the year.

Chair Cassidy asked about the rotation schedule. Mr. Pickard noted that they would change each day from one to the other. Mr. Waggoner further discussed the need to manage to avoid disruptions to the plan as well as to not distract drivers.

III. Planning Committee – *John Weatherford, Chair – Bob Frey, Staff*

1. Work Program

Mr. Bob Frey reported on the proposed FY2022 Work Program, which serves as THEA's blueprint of project implementation for the next six years reflecting where the agency is headed based on the Strategic Plan and ensures we have the resources available when needed. The work program identifies capital projects and resource commitments, and it provides an annual snapshot of budgeting needs. This information is shared with other agencies, such as the Hillsborough MPO, the City of Tampa, FDOT and Hillsborough County to ensure coordination.

Mr. Frey briefly discussed programs, categories, and project phases. He then reported on the FY21-26 Work Program, which is expected to total $623M – approximately $60M for Preservation and $563M for Enhancements. He also reviewed the proposed FY22 Work Program ($69,877,000) compared to FY21 adopted ($97,653,000). There is a $66.8M difference - $16.3M of unexpended funds will roll forward from FY20 into the new Work Program from the current and an additional $50M of new projects or scope changes that have been added into the program. He also explained that the $16.3 roll forward is related to projects already accounted for in the existing Work Program, for which the schedules changed. Four projects make up the bulk of that money – The Selmon West Extension, Meridian Improvements at Twiggs, Whiting Street Improvements and Replacing Pier Uplighting Fixtures. The total amount of additional monies are accounted for in the $50M of new projects.

Mr. Alvarez requested confirmation that this roll forward is not extra money that is leftover, rather unspent money that gets carried forward. Mr. Frey replied in the affirmative.
Mr. Frey then reviewed new projects, which total $34M.

Mr. Weatherford referenced the $97,653,000 for FY21 compared to the $69,877,000 for FY22 and asked for an explanation for the decrease from FY21 to FY22. Mr. Frey explained the amount is dependent on where projects fall in the schedule. This can change from year to year depending on what phase a particular project is in from planning to construction. Typically, the construction years of a project will have a greater budget impact.

Mr. Waggoner added that the primary driver in the cashflow needs is the Enhancement Program where the lion's share of the capital program costs are. There are large phases of cost during the construction phase – the up and down of the flows depends on which phase of a project we are in.

Mr. Cassidy asked what projects in FY22 and FY23 are consuming $125M. Mr. Frey listed the Selmon South, the Selmon East, as well as the slip ramps and US 301. He added that both the Whiting street PD&E and the Nebraska PD&E are coming to a close soon.

Mr. Brian Pickard added that the construction phases of the East Selmon slip ramps and the Design Build job on Twiggs are a significant portion of the $54M.

Mr. Waggoner noted that our Draft Work Program, which will detail of the ebb and flow of project phases, will be disseminated during the May Board Meeting. Ms. Lettelleir added that the projects mentioned by Mr. Pickard for FY22 and FY23 are funded by bond proceeds.

Chairman Cassidy asked for clarification. Mr. Waggoner explained that the Twiggs Street project, the Nebraska project and the Selmon slip ramps are all funded by **prior** bond issues. Mr. Alvarez asked for an explanation of the slip ramp project. Mr. Frey explained the project will allow drivers to use I-75 and go on the REL westbound in the mornings and use the REL's capacity up to the I-4 connector and then merge ("slip") back into the lower lanes.

Chairman Cassidy asked if this is only for I-75 traffic. Mr. Waggoner explained that the two slip ramps will allow folks to get onto the REL sooner and will divert traffic and improve flow. The second slip ramp provides the opportunity to get out of the REL and back onto the lower westbound lanes. This will keep more traffic off the lower lanes, adding flexibility.

The Chair asked if the Brandon traffic will be able to use the slip ramp off the REL, so they don't have to get off at Twiggs, or if it is only for the people coming off of I-75. Mr. Waggoner confirmed that everyone who gets on the REL will have the option of using the slip ramp to get to the lower lanes.

IV. Finance & Audit Committee – *Commissioner Ken Hagan, Chair – Jeff Seward, Staff*

1. Financial Budget Update – FY2022

Mr. Jeff Seward provided a FY2022 Budget Update beginning with a high-level summary of the proposed Operating, Maintenance and Administrative Budget for FY2022. He pointed out the FY21 budget is the amended budget. Also, since 2021 was not a "normal" year due to COVID, he did a two-year comparison throughout the presentation. He also pointed out the flat expenditure from the budget in FY20, through the amended budget in FY21, to the proposed for FY22.

Next, he reviewed revenues, noting a 24% increase for FY22. Key drivers to the revenue increase include:

- FY21 COVID-19 impact
- 2.5% toll indexing increase

- 9.63M estimated increase in toll transactions for next year
- Ardent Mills extended lease to FY22
- Investment income estimates.

He addressed a question that Chairman Cassidy asked at the April Board meeting concerning the Selmon Extension estimates of transactions that were provided during our financing last year. In the original estimates we were looking at average weekday transactions of 9,990 for the extension only. As of April 30, 2021, we are looking at 13,511 per weekday. For weekends, we were estimating 6,200 transactions for Saturday and Sunday, and right now we are looking at 9,972 per weekend day. We will continue to track what we told the market and what we are actually seeing, and we will include that information in our monthly updates to the board, either in the Audit and Finance report or the Toll Operations report.

Chairman Cassidy referenced the 3.2M transactions from the elevated extension and asked for confirmation that we did not plan at 13.5K per day. Mr. Seward confirmed that the number is based on what we went to the market with. Chairman Cassidy asked if the estimates are still based on the lower estimate. Mr. Seward responded in the affirmative.

Mr. Waggoner added that if transactions remain at this level, it could be that the extension is being embraced quickly.

Aside from the toll revenues, other revenues include our lease agreements. He also reported that investment income is lower than prior years, our cash balances have decreased over the last couple of years, particularly with the extension project, and the market is not performing as well as it did a couple of years ago as far as zero-based interest rates.

Mr. Weatherford asked about the delta between FY21 and FY22 budget is about a $300% dip and if that is due to not as much cash on hand in addition to the performance of the stock market. Mr. Seward responded in the affirmative. Mr. Weatherford also asked, in the future, to include percentages next to the numbers for presentations. Mr. Seward agreed and will include those percentages moving forward.

Next, he reviewed expenditures, which have increased by a net total of 2.72% over FY 2021; 3.18% over 2020.

Chair Cassidy asked about the jump in personnel expenditures. Mr. Seward explained that the net total of $926,092 from FY21 and includes:

- A 3% COLA for all employees (there was not one in FY21)
- A 5% estimated increase in healthcare benefits;
- A budgeted payout for Mr. Waggoner upon retirement as well as an overlap of salary and benefits for Executive Director transition period;
- An increase of salary dollars capitalized to CIP reducing salary costs;
- The addition of two new FTEs (pending Board approval)
- A total of 27 budgeted FTEs and 2 intern positions

Mr. Seward also pointed out the transfers to projects and salaries of $687,508. We make every effort to capitalize personnel salary costs – as much of the percentage of time spent on capital projects through the year back to those specific work program projects.

Next, Mr. Seward reviewed Toll Operations. He pointed out the formula used by FTE, which is based on all the toll collections in the prior year. The prior year is not the best to use due to COVID. Because of this, THEA has discussed setting up a potential reserve since we may be hit with a "true up" letter and we want to be able to address without having to come back to the Board for a budget amendment.

The key drivers include:

- Decrease in Florida's Turnpike Enterprise expenses
- Increase in software licensing
- Decrease in contingency
- Decrease in toll collections consultancy
- Increase in costs to staffing agency for TPB review
- Increase to maintenance costs for 3 new toll gantries

Maintenance Expenditures include a net increase of total of $178,261 from FY21 amended budget. Key drivers to the net increase include potential:

- Increase in roadway maintenance due to SWE
- Increase in landscape maintenance due to SWE
- Increases for contractual escalators for GEC
- Increases for Road Ranger services
- Increases in ITS maintenance

For Communications, expenditures increased by a net total of $107,500 from FY21 amended budget, (including a $200K amendment in January). Key drivers here include:

- Agency memberships are moving into the communications program
- Decrease to SunPass mini program
- Increase in special events, website maintenance and contracted communication support
- Decrease in contingency (contingencies have been removed from individual departments and put in an agency contingency to allow from more strategic use).

Chairman Cassidy requested that we refer to "corporate memberships" as "industry memberships" or the like. Mr. Seward will update all references to "corporate memberships". Mr. Seward continued with Professional Services, noting that the total expenditures increased by a net total of $188,420 from FY2021. Key drivers to net increase include:

- Increase for State & Federal lobbying contract
- Increase for temporary financial support
- Increases for GEC support contract & biennial inspection
- Decrease in contingency

Next he discussed Administration (Organizational Support) and the expenditure decrease of $25,150 from FY2021. Key drivers include an increase for the organizational contingency and increase for travel and professional development. He pointed out the line item for the Organizational Contingency at $106,000.

The Chairman noted that in the contingencies that were removed there were significantly higher numbers and asked if the budgeted $106,00 is enough to cover contingencies. Mr. Seward explained that he believes there is enough and that he took a conservative approach to arriving at this number.

For Debt Service payments the biggest change is the addition of the Series 2020A and 2020B bonds. It was a projected ratio of 2.08. As it stands right now, we are looking at a debt service coverage of 2.10. We closed FY2020 with a ratio of 1.97. Last year at this very same time we were looking at an FY2021 close budgeted at 1.76 – on the amended budget we are looking at 1.75. The takeaway here is that the organization has taken its financial management very seriously, and this proposed budget is a continuation of that prudent financial planning.

Finally, Mr. Seward tied back to the work program and the operating budgets impact on it. The total work program is $623M. Two key components of the funding are pay as you go cash/project funds: $305M and the future debt funding of $249M. Our operating budget is just over $19M. We have $100M of operating revenue coming in. Keeping the operating budget tight gives us the ability to use that incoming revenue to supplement the financing by funding 50% of the work program.

Chairman Cassidy asked about sources of cash. Mr. Waggoner noted with $100M in revenue, $19M in OM&A, $40M on debt service. He further explained that if revenue grows to $160M going forward, that $60M is what is building up 50% of the capital program costs over that six-year period. The Chairman asked if we use the $40M, after debt service, for the work program. Mr. Seward responded in the affirmative. Chairman Cassidy asked about the $305M and Mr. Waggoner explained that the $305M represents year of cash expenditure – it's a combination of what will accrue in new revenue each year going forward in that six-year period, as well as what is accrued to date.

The Chairman asked how we pay for an additional $250M in debt. Mr. Waggoner advised it will be paid through increased use as well as toll indexing policy. He confirmed for the Chairman that there will be no increase in the number of tolling locations as the result of ramps.

Mr. Weatherford asked what the thinking is in terms of a worst-case scenario that would impact these revenues and this cash flow, ultimately impacting the debt service coverage. Mr. Waggoner responded it would be another pandemic-type scenario and noted that THEA takes a conservative approach in its forecasting, both in terms of growth rate of users and our OM&A costs. Adding that THEA also closely monitors flows and can quickly pull back if necessary.

Mr. Frey added that as long as THEA preserves the system, if the volume is not there we do not need to do the projects.

Chairman Cassidy suggested preparing a shock scenario so we know when ridership hits a certain level, we can still maintain our debt service, but some projects get postponed. Mr. Barrow suggested incorporating that information into another slide – back into 4-5 years of excess cashflow. Mr. Waggoner advised that he could do a sensitivity analysis to see at what point we would be concerned. Mr. Weatherford agreed, and suggested doing a base case, with a 20-30% delta on each side to identify at what point we might become concerned. Mr. Waggoner recommended backing into it with identifying the baseline OM&A, baseline Debt Service (before we issue any new debt) and what would it cost to do system preservation and renewal.

V. Announcements & Other Business

1. Whiting Street PD&E Study – Alternatives Meeting

Ms. Sue Chrzan announced the upcoming Alternatives meeting for the Whiting Street PD&E Study. This virtual public meeting is scheduled for May 20, 2021 at 6:30 pm.

VII. ADJOURNMENT

There being no further business to come before the Board Committee Meeting as a Whole, the meeting was adjourned at 2:36 pm.

APPROVED: ______________________ **ATTEST:** ______________________

Chairman: Vincent J. Cassidy **Executive Director: Joe Waggoner**

DATED THIS 24th DAY OF MAY, 2021