

**Transportation Toll Facility Advisory Committee**  
**Quarterly Meeting**  
**October 6, 2017**

**1. Call to Order:** Mr. Lenard Myers called the meeting to order at 11:36 AM.

**2. Roll Call:**

**Committee Members in Attendance**

Lenard Myers  
Vonda Chappell  
Larry Hazelwood  
Sheldon Jenkins  
George Midgette  
Matthew Echaniz

**Ex-officio Members in Attendance**

Eric Martin  
Kelly Lackey

**Committee Members not in Attendance**

**Non-Committee Members in Attendance**

Earl Sorey	Robert Geis
Dave Cuneo	Sean Ekiert
Gary Walton	Leigh Ann Kling
Kevin Crum	Veronica Latonio
Rhonda Sommer	Regina Davis

**3. Meeting Discussion:**

Mr. Myers asked for and received from Ms. Chappell a motion to approve the July 13, 2017 Transportation Toll Facilities Advisory Committee (TTFAC) minutes. The motion was seconded and the minutes were approved.

Mr. Sean Ekiert of Raymond James (financial advisor to the City), and Mr. Dave Cuneo of Steer Davies Gleave (traffic and revenue consultant for the Chesapeake Transportation System) presented the financial performance of the Chesapeake Transportation System (“CTS” or “the System”), the traffic and revenue trends on the Chesapeake Expressway, the status of the Dominion Boulevard construction project and traffic and revenue trends since toll operations began. Key points from the presentation included:

*Expressway Annual Historical Financial Performance (based on preliminary, unaudited results):*

- Total traffic on the Expressway increased 5.5% in FY2017 from the prior year and was consistent with forecast.
- Toll revenue increased 12.6% in FY2017 which was a result of the peak season toll increase

that took effect in May 2016 and was 3.0% above forecast.

- Overall for the year, the distribution of transactions were as follows: 27% Cash, 34% Full Fare E-ZPass, and 39% Discount Program E-ZPass; Discount Program membership has remained steady at 38-39% since FY2012.

2017 Expressway Peak Season Traffic and Revenue:

- Peak Season Weekend Traffic decreased 0.1% year-over-year.
- 2017 Peak Season Weekend Revenue decreased 1.1% over the prior year which was primarily attributable to more Discount Program toll transactions than prior year.
- 38% of vehicles travelling during 2017 Peak Weekends paid by cash, while 65% paid by EZ Pass.
- 88% of weekend traffic is paying the full weekend toll rate; 12% of weekend traffic is paying the discount toll rate.
- Cash transactions accounted for 40% of peak season revenue.
- Traffic data indicates that during the busiest Saturdays of the Peak Season there are 26,100 more vehicles travelling in the Expressway/Battlefield Boulevard corridor than on Saturdays during the winter, and 88.3% of the additional traffic (23,000+ vehicles) are traveling on the Expressway.
- Battlefield Boulevard experienced a 4.4% average increase on Saturdays during peak weekends which is well below forecasted traffic diversion to Battlefield Blvd. from the toll increase in 2016.
- Average Summer Peak Saturday traffic on Battlefield Boulevard in 2017 is approximately equal to the average weekday traffic on Battlefield Boulevard.

Dominion Boulevard Project:

- Dominion Boulevard Project construction was completed ahead of schedule and \$28 million below budget which results in a lower debt burden.
- Tolling began on February 9, 2017.
- Overall traffic volumes and E-ZPass use have exceeded forecast since opening.
- The cost of collecting Toll-by-Plate revenue has exceeded revenue collected to date.
- Overall financial performance for FY2017 was strong and exceeded forecast and allowed for additional contributions to reserve funds.
- Forecasted growth will require closely monitoring traffic and revenue growth as well as monitoring expenses to ensure that ongoing financial performance is sufficient to meet all financial obligations.

Mr. Jenkins inquired about the cost savings from the project; Mr. Ekiert responded that construction contingency funds available for use were not needed and that ultimately the City did not have to borrow as much and therefore had lower debt to pay off.

Dominion Boulevard Traffic and Revenue Performance:

- Average weekday traffic was approx. 23,000 vehicles per day in February and rose to

approx. 26,000 vehicles per day in June; traffic dipped slightly in July and August which is indicative of a commuter route.

- The average daily traffic exceeded forecast daily traffic by a good margin, but continued growth is needed to meet or exceed forecasts;
- Valid E-ZPass use has increased from 72.6% in February to 76.4% in August and the VToll process results in another 5% increase due to invalid E-ZPass transactions being collected during the VToll/recycle process.
- Toll-by-Plate transactions have dropped from just over 22% of the transactions to slightly over 18% of the transaction in August.
- The cost of collecting Toll-by-Plate revenue currently exceeds the actual revenue collected but the gap has closed every month; CTS staff will continue to monitor and look for ways to either increase revenue collected or reduce the cost of revenue collection.
- Since the system has only operated for a few months, it is still too early to determine the leakage rate; however, leakage rate may be calculated in Spring 2018.
- In the toll invoicing process, a \$10 Fee is added to the second invoice and another \$10 fee is added to the final notice if not paid by the customer.

CTS Expenses:

- Actual CTS Operating Expenses in FY2017 were below Plan of Finance forecast;
- Projected CTS Expenses for FY2018 are expected to slightly exceed Plan of Finance forecast.
- Renewal and Replacement (actual) expenses have been tracking well below forecast and projected Renewal and Replacement expenses are projected to be well below forecast for the next four years.
- Operating expenses as well as Renewal and Replacement expenses must be closely monitored.
- Operating expenses increased significantly due to the additional cost of operating Dominion Blvd.
- FY2018 represents the last year for which excess revenue can be used to fund Reserve Deposits; beginning in FY2019, excess revenues must be used to pay down the VTIB loan.
- Surplus revenue has been deposited in Reserve Funds which could help mitigate any impacts from lower revenues or higher expenses.
- Surplus revenue is currently projected to be less than forecast in the Plan of Finance.

Mr. Myers inquired about the leakage rate (uncollected revenue); Mr. Walton explained that it was too soon after the start of tolling to accurately calculate a leakage rate but that he expected that the leakage rate could be determined next spring.

Mr. Jenkins inquired about the possibility of using an outside agent to pursue collections of delinquent accounts; Mr. Walton replied that it was the City's intention to perform collections 'in-house'. Mr. Jenkins then inquired about the current cost to collect Toll-by-Plate revenue versus the cost of collecting E-ZPass revenue. Ms. Sommer's responded that was costing approx. \$2.07 per Toll-by-Plate transaction which is more than anticipated. Mr. Walton then stated that at the current cost to collect, CTS was essentially collecting the E-ZPass toll rate for

those customers that pay their invoices.

Mr. Myers inquired if the South Norfolk Jordan Bridge had similar experience to collecting Toll-by-Plate revenue; Mr. Crum responded that CTS was performing better than SNJB thus far.

Mr. Midgette inquired about the possibility of preventing those that did not pay their Toll-by-Plate invoices; Mr. Walton replied there was no way to prevent someone from using facility.

Mr. Myers then inquired about the Dominion Blvd. toll schedule and why there were annual toll increases as opposed to a toll schedule with increases every five years like that for the Chesapeake Expressway. Mr. Ekiert responded that the operating differences of the two facilities led to different toll schedules; specifically, the All Electronic Toll collection method was conducive to small annual increases whereas the cash toll payment method of the Chesapeake Expressway was better due to keeping toll payments in dollar increments.

#### Overall Conclusions:

- Expressway traffic and revenue exhibited positive growth in FY2017, consistent with forecast.
- Diversion of peak weekend traffic from the Expressway to Battlefield Blvd. increased slightly in 2017, however the majority of peak weekend travelers continue to use the Expressway;
- Dominion Blvd. project construction achieved substantial completion at a total savings of approximately \$28 million versus the project budget.
- Traffic and revenue on Dominion Blvd. have exceeded projections since the project opened, however growth must continue in order to achieve projected results following project ramp-up period.
- Currently, Toll-by-Plate revenues collected are less than the costs incurred to collect this revenue.
- Beginning in FY2018 operating expenses are projected higher than was originally forecast, resulting in narrow coverage of financial requirements beginning in FY2019.
- Operating expenses associated with Toll-by-Plate operations and collections should be closely monitored to ensure that overall financial coverage levels are maintained.
- No changes to the adopted toll schedules are recommended at this time.

#### Questions/Comments

Mr. Jenkins inquired about rezoning/future development and future impacts to traffic on Dominion Blvd. Mr. Cuneo advised that future development, as well any changes in the surrounding roadway network, were not included in the forecasted traffic modeling and growth. Mr. Cuneo further stated that these items could potentially be added to future updates depending on the level of certainty and time frame for which those projects or developments would actually occur.

There was discussion regarding payment of delinquent toll accounts and the pursuit of those accounts through a collections process. Mr. Jenkins inquired why the process had not started to which Mr. Walton replied that they were just entering the time frame for collections to begin. There was then an ensuing discussion about the collections tools available. Mr. Walton advised the committee of the VRW2 program which allows vehicle registrations to be placed in a 'hold' status for non-payment of toll bills. The VRW2 program prevents vehicle owners from renewing their vehicle registrations until their outstanding toll balances have been paid off. Ms. Chappell asked whether offenders had to have multiple violations; Mr. Walton responded that an offender only need to have an unpaid toll balance. Any toll violator that has VRW2 hold placed on their registration will incur a \$40 fee after payment of their toll balance to release the registration hold and that cost is passed on to the toll violator.

Mr. Myers asked for a motion to recommend that City Council maintain the current toll schedules. Ms. Chappell made a motion to recommend that City Council maintain the current toll schedules, which was seconded by Mr. Jenkins. The committee approved the motion with no dissent.

The meeting was adjourned at 1:00PM. The next meeting will take place at the Chesapeake Expressway Administrative office building on January 18, 2018.