

## **Transportation Toll Facility Advisory Committee Quarterly Meeting November 27, 2018**

**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  
Tawanna McFarlin  
Larry Hazelwood  
Bryan Cunningham  
Kemo Dassau

**Ex-officio Members in Attendance**

Eric Martin  
Kelly Lackey

**Committee Members not in Attendance**

Vonda Chappell  
Matthew Echaniz

**Non-Committee Members in Attendance**

Earl Sorey	Dave Cuneo
Sean Ekiert	Judith Graham
Gary Walton	Leigh Ann Kling
Kevin Crum	Veronica Latonio
Lynn Metcalf	Nancy Tracy
Jason Brown	

**3. Chesapeake Transportation System Financial and Traffic Summary: (See Attached Presentation)**

Mr. Sean Ekiert of Raymond James (financial advisor to the City), and Mr. Dave Cuneo of Steer (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 and Dominion Boulevard Veterans Bridge.

**Key Developments since the October 2017 Update which included:**

- Dominion Boulevard Project Certificate of Final Completion issued June 1, 2018 – Project completed at a total cost of \$316.9 million, \$28.3 less than the original budget.
- Revised Minimum Payments Schedule for VTIB (Virginia Transportation Infrastructure Bank) Bond adopted August 27, 2018.
- Senior Bond Credit Ratings of “BBB” affirmed by Fitch and S&P, with S&P raising its rating outlook from “Stable” to “Positive”. This generally reflects the fact that the system has been performing well past the financial forecast. This is an independent, yet positive

review of the financial forecast of this project. Every two years the system requires forward looking traffic and revenue forecast updates.

- Updated Traffic and Revenue forecasts delivered November 2018, shows minimal changes to the Chesapeake Expressway revenue forecast and generally slightly lower Dominion revenue beginning in FY20.

**Operating Results for fiscal Year ending June 30, 2018:**

- Expressway toll revenue was consistent with forecast.,
- Dominion toll revenue exceeded the forecast by \$1.44 million, despite challenges in the collection of “Toll by Plate” revenues.
- Overall Financial Performance was stronger than forecast, due to higher Dominion toll revenues and lower operating expenses.

**Key Considerations:**

- The first annual payment on VTIB debt of \$4.4 million is due from Fiscal Year 2019’s net revenue.
- Traffic, toll revenues, collection rates for Toll by Plate revenues, and operating expenses must be closely monitored to ensure adequate financial performance in coming years.

*Chesapeake Expressway Annual Revenue and Traffic Performance:*

- The historical forecast for the Chesapeake Expressway shows the annual toll revenue for fiscal year ending June 30, 2018 to be on track.
- Revenue in 2018 increased 1.4% above revenue in 2017, but was 0.3% below forecast.
- 2018 traffic increased 1.3% from 2017, but was 4.0% below forecast.
- For fiscal year 2018, cash transactions comprised 25%, EZPass transactions without the discount program comprised 36%, and EZPass transactions with the discount program comprised 39% of the total annual toll transactions.

*Chesapeake Expressway Peak Weekend Traffic and Revenue Trends:*

- The electronic toll collection continues to grow, with Cash now representing 33% of the peak weekend toll transactions which runs from the weekend before Memorial Day until the weekend after Labor Day.
- The share of revenue from the Expressway Discount Program is very low due to the low toll rate of \$0.75 per transaction.
- 37% of peak season toll revenue is derived from cash transactions which remains a significant contributor.
- It was contemplated to convert the Expressway into a Toll by Plate (replacing cash collection), however with the majority of cash being collected is from out of state, it could be very difficult to collect.
- Peak weekend tolls comprise over 40% of annual toll revenues on the Expressway.
- Battlefield Blvd. traffic is fairly consistent between winter and summer; peak Saturday traffic volumes on Battlefield Blvd. are approximately 18,352 vehicles per day vs. 31,891 vehicles per day on the Expressway.

Revised Traffic and Revenue Projections for the Chesapeake Expressway:

- Revised traffic and revenue projections for the Expressway are very minor.
- The largest revenue reduction was just over 1% for a given year, and years after 2034 have small revenue increase

Dominion Boulevard Veterans Bridge Update:

- As required by the financing documents, a Certificate of Final Completion dated June 1, 2018 was delivered to the Bond Trustee and the VTIB Administrator.
- The Dominion Boulevard Project was completed at a total cost that was \$28.3 million less than the original project budget at the time of the 2012 financing.
- The lower project cost resulted in lower VTIB loan/borrowing, and therefore lowered VTIB debt service payments.

Dominion Boulevard Traffic and Revenue-Comparison with Forecast

- While initial traffic has exceeded forecast, the growth has not been as fast as the forecasted ramp-up, and more growth will be needed to achieve projected results following the ramp-up.
- Actual gross revenue has been tracking at or above forecast, despite a smaller share of Toll by Plate transactions.

Dominion Boulevard – EZPass Monthly Share & Toll by Plate Performance

- The EZPass share of traffic has continued a small increase since starting higher than forecast.
- Will need to continue growing to reach the predicted level of 89% of total toll transactions.
- Toll by Plate monthly revenue has been increasing but is generally still less than the cost of collecting the revenue.

Mr. Myers inquired if the cost to collect was primarily due to Attorney's fees, court costs or Back Office costs; Mr. Walton responded that the cost of collecting toll-by-plate revenue is based on the contract cost to process those transactions, send the invoice and then collect the revenue. The City is working with Back Office provider to get the costs more in line with revenue. Mr. Walton also advised that the collections process for delinquent toll accounts was suspended mid-year due to unexpected impacts on staff which resulted in lower toll-by-plate revenues. The City then started working with the back office vendor to implement a new delinquent account collections process. The new process is expected to begin at the end of December 2018, which should result in toll-by-plate revenues more closely matching or exceeding the cost to collect.

Mr. Myers inquired whether the collection costs and collected revenue is similar to or in line with SNJB (South Norfolk Jordan Bridge); Ms. Latonio responded that it is not at this time because SNJB has a more mature collection process. They currently use two collection agencies, as well as court proceedings, wage garnishment proceedings and the DMV vehicle registration withholding program.

Mr. Hazelwood inquired whether this cost of collections were due to sporadic use by toll-by-plate customers; Mr. Walton replied that there seems to be a 'pool' of intermittent users that do not use EZPass and stated that on any given day there are on average 5,000 toll-by-plate transactions. Mr. Walton then provided EZPass penetration statistics that show EZPass usage on most facilities is between 75% and 85% and that Dominion Blvd. is currently at the upper end of this range. Dominion Blvd. is forecast to be at 89% EZPass usage in the future.

Mr. Hazelwood inquired if the savings from EZPass was shown on the toll invoice; Mr. Walton responded that they did include this on the invoicing for the first year but it incurred additional costs so they no longer do this. Ms. Kling added that they do have scripting in place at the call center to advise toll-by-plate customer of the cost savings by switching to EZPass.

Revised Traffic and Revenue Projections for Dominion Boulevard

- Forecasts updated to reflect recent experience with payment type, vehicle class, annualization, and leakage, as well as timing of future network expansion projects and the updated growth outlook.
- The new forecasts tend to be slightly lower than the prior forecasts.

Mr. Dassau then inquired about the difference between toll-by-plate traffic and revenue and EZPass revenue; Mr. Walton explained that the Dominion Blvd. EZP Toll rate is \$1.10 and the non-EZPass toll invoice has a \$2 surcharge that helps cover the additional cost incurred for processing that transaction. For all EZPass tolls collected there is also small fee retained by VDOT to cover the expense of processing EZPass transactions. The \$2.00 surcharge rate on toll-by-plate transactions can be adjusted, however the concern is that, if the surcharge amount is raised, the capture rate may go down.

Mr. Dassau inquired whether there are additional assessment fees on top of the surcharge; Mr. Walton stated that upon the second invoice there is a \$10 late fee added and another \$10 fee is added if a third invoice is required. If the invoices go to collections there are additional fees added to cover the additional costs incurred during the collections process.

Mr. Dassau asked if they had considered lowering the \$10 fee to \$8 for 'aesthetic' reasons to see if it increases the rate of payment; Mr. Cuneo answered that this will be better revisited once collections payment data is available from delinquent toll account collections. Mr. Walton did advise that Dominion's fees are much lower than the fees assessed by other toll operators in the area. Mr. Eckert added that the revised Traffic and Revenue Projections which incorporated actual traffic and revenue data resulted in minimal changes which shows system performance is as expected.

Mr. Martin inquired about the dip in the forecast around 2023; Mr. Cuneo stated that this dip is expected when the High-rise Bridge replacement and Deep Creek Bridge replacement are completed.

CTS Operating Expenses and Renewal/Replacement Deposits

- Operating expenses have increased due to addition of Dominion Blvd. into the system;

toll revenue has increased and the toll structure on Dominion Blvd. is designed to accommodate the higher operating costs associated with toll-by-plate tolling (non-EZPass transactions).

- The Renewal and Replacement Deposits are determined annually by a consulting engineer after evaluating both facilities; the consultant provides cost estimates on funding required to maintain the facilities in accordance with the Bond Indenture requirements.

*The 2018 Forecast- CTS Financial Plan (2013-2022)*

- The operating expenses, bond debt payments and VTIB minimum payment and renewal and replacement costs are all required annual payments; additional revenue above required payments must be used toward accelerated payment of the VTIB loan.
- Reserve deposits will not be made after fiscal year 2019.

*The Actual and Projected Financial Performance*

- The 2018 Surplus Revenue exceeded the 2017 Forecast, as Dominion toll revenues exceeded forecast and operating expenses were lower than forecast.
- Projected surplus revenue for the fiscal year of 2019 is nearly unchanged from the prior forecast. Projected surplus revenue for fiscal year 2020 and beyond is generally lower, due to the lower projected Dominion toll revenues and slightly higher operating expenses. These factors are partially offset by lower required VTIB debt service.
- Future projections will be updated based upon actual CTS operating result and other factors impacting traffic and revenue of the System.

Mr. Martin asked if there is a maximum deposit limit to Reserve accounts; Mr. Ekiert replied that there is a maximum reserve requirement for the various accounts and they have all been met. Mr. Martin asked what those reserve numbers are; Mr. Ekiert described that there are several different reserve funds with each having a different set of requirements. Mr. Ekiert then briefly described each and indicated that the system will not be adding additional funds to the reserve accounts but those accounts would continue to grow from annual interest earnings.

*Observations and Overall Conclusions:*

- The majority of Peak Weekend travelers continue to use the Expressway over Battlefield Boulevard.
- The Chesapeake Expressway traffic and revenue exhibited modest growth in the fiscal year of 2018, with revenue keeping pace with forecast.
- Minimal changes were made to the Expressway traffic and revenue forecast.
- Dominion Boulevard Project final completion came in \$28 million below budget which allows for a reduction of VTIB debt service by \$545,000 annually versus prior plan.
- While initial Dominion traffic and revenue has exceeded forecast, the growth has not.
- The updated Dominion forecast includes lower revenues after 2020 versus the prior forecasts.
- Currently, DBVB Toll by Plate revenues collected are less than the costs incurred to collect this revenue. New processes are starting very soon with lots of optimism.
- CTS is projected to be in compliance with its financial requirements in future years, but

traffic, revenue and operating expenses must be closely monitored.

- **No changes to the adopted Toll Schedule are recommended at this time for Dominion Boulevard Veterans Bridge and the Chesapeake Expressway.**

#### Questions/Comments

Mr. Dassau inquired whether there were any discussions of converting US17 into an interstate. Mr. Sorey advised that there were ongoing discussions regarding a future conversion to interstate but there were no definitive plans at this time.

Mr. Martin advised that the Centerville Bridge would be undergoing repairs that would require a 4 month closure planned to start in mid-June 15.

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

#### **4. SNJB (South Norfolk Jordan Bridge) Update:**

Mr. Crum stated that as of October 31, 2018 traffic was up 1% over last year. EZPass usage thru September last year had increased to 83% which represented a 2% increase. Mr. Crum indicated that the presence of an aircraft carrier at the Norfolk Naval Shipyard makes a significant difference in daily traffic demand. Mr. Crum advised that they had secured private contractors for winter snow removal and had conducted training in preparation for any winter weather. Mr. Crum advised that they expected to have a small toll increase next year and that an upcoming meeting would finalize the toll increase. Mr. Walton added that there will be a need to work through the TTFAC Committee to get a time and location for a Public Informational Meeting.

Ms. Latonio provided an update with regards to North Carolina and Virginia entering into a reciprocity agreement (for enforcement of toll violations between the two states). Earlier this year, SNJB was requested to assist with facilitating discussions with NCTA (North Carolina Turnpike Authority) for establishing reciprocity between Virginia and North Carolina which has led to several working meetings. Work towards establishment of reciprocity is ongoing.

#### **5. New Business/Discussion.**

Mr. Walton provided an update on the Administration Building Renovation Project. The Project received Notice to Proceed in February 2018 and it remains unfinished. The City has been investigating alternatives to complete the project; at this time, the office remains closed to walk in customers.

Mr. Walton provided information about the upgrade to the toll revenue collection system at the Chesapeake Expressway. The ARCS/Transcore System is at the end of life and being replaced by the TransCore Infinity System which is already in operation at a number of facilities across Virginia. System Development is currently underway with implementation expected in the

spring of next year.

Mr. Myers inquired about any losses from inclement weather this year; Mr. Walton confirmed that Hurricane Florence in September had resulted in lost revenue. Although the storm diverted from our area, mandatory evacuations were still in place for flood prone areas in Virginia and for the North Carolina Outer Banks. Such an event showed the impact that a significant weather event can have on toll revenue. For example, if September is not accounted for, toll revenue was up approximately 6 ½% on Dominion Blvd. and 2 ½% on the Chesapeake Expressway; however, when accounting for September's loss of revenue, revenue decreases to 4% for Dominion and 1% on Chesapeake Expressway. In 2018, toll revenue was negatively impacted due to a January snow storm and in September due to Hurricane Florence.

The next meeting will take place in the timeframe of January 10<sup>th</sup>, 17<sup>th</sup>, or 24<sup>th</sup>, 2019. Mr. Walton will poll the Committee to see what schedule would be best.

The meeting was adjourned at 12:51PM.