

**Transportation Toll Facility Advisory Committee
Quarterly Meeting
October 8, 2020**

1. Call to Order: Bryan Cunningham, Acting Chair called the meeting to order at 11:30 am.

2. Roll Call

Committee Members in Attendance

Vonda Chappell
Bryan Cunningham
Tawanna McFarlin
Lynne Kennedy
Rachel Anderson via Zoom

Ex-officio Members in Attendance

Kelly Lackey via Zoom
Robert N. Geis via Zoom
Earl Sorey

Committee Members not in Attendance

Kemo Dassau

Non-Committee Members in Attendance

Gary Walton
Leigh Ann Kling via Zoom
Terry Shaw
Veronica Latonio via Zoom
Nancy Tracy
Sean Ekiert

Belinda Malone via Zoom
Sandra Hodge
Kevin Crum via Zoom
Dave Cuneo via Zoom
Jason Brown

3. Approval of Proposed Remote Participation Procedure for TTFAC

Due to COVID-19, a procedure to allow for remote participation in the meeting by committee members was introduced by Mr. Walton; after reviewing the procedure, a motion for approval was made and seconded, a roll call vote was taken and the procedure was adopted unanimously. The adopted procedure is attached.

4. Approval of Meeting Minutes

Mr. Cunningham opened the floor for questions or discussion of the meeting minutes for the October 3, 2019 meeting; hearing none, a motion for approval was made and seconded, a roll call was taken and the meeting minutes were approved unanimously.

5. Chesapeake Transportation System Financial & Traffic Summary

Mr. Sean Ekiert of Raymond James (financial advisor to the City), and via Zoom, 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”), as well as the traffic and revenue trends on the Chesapeake Expressway and Dominion Boulevard Veterans Bridge as contained in the attached presentation.

Key Developments since October 2019 (Presented by Mr. Ekiert)

- Despite significant adverse impacts from COVID-19, net revenues collected for Fiscal Year 2020 were sufficient to make all required payments and deposits as well as to make an additional VTIB debt payment of \$3.8M from surplus revenue;
- Expressway revenue was below forecast by \$1,730,000 and Dominion toll revenue was below forecast by \$769,000;
- Overall financial performance was approximately equal to forecast as operating expenses were \$2.4M below forecast which offset the revenue shortfall;
- Following steep declines in March-May 2020, Chesapeake Expressway revenue rebounded and peak season revenue in 2020 exceeded 2019 peak season revenue;
- Dominion Blvd. revenue remains approximately 10% below prior year levels and 15% below forecast;
- Due to persistence of lower traffic and revenue, coverage of debt service and deposit requirements is FY2021 is forecast to be well below plan.

Chesapeake Expressway Revenue and Traffic (Presented by Mr. Cuneo)

- Year-over-year revenue was down 5.5% and was 11.8% below forecast; FY2020 revenue was also impacted by Hurricane Dorian in September 2019;
- Year-over-year traffic was down 6.3% and was 12.2% below forecast.

Chesapeake Expressway Monthly Toll Revenue Trends (Presented by Mr. Cuneo)

- The Chesapeake Expressway performed very well thru February 2020 (and prior to COVID impacts);
- Starting in March and continuing thru the end of the fiscal year, revenue declined significantly due to COVID impacts;
- The closure of the North Carolina Outer Banks on March 20 contributed significantly to the drop in traffic and revenue; the Outer Banks reopened to visitors on May 22.

Chesapeake Expressway Peak Season Toll Revenue (Presented by Mr. Cuneo)

- Total peak season toll revenue increased by 8.3%, however, this increase was primarily attributed to an extra peak weekend due to when Memorial Day and Labor Day occurred;
- The year-over-year increase was also attributed to the occurrence of Hurricane Dorian in 2019 which significantly reduced toll revenue the prior year;
- Excluding the extra peak weekend and the 9/5 weekend (due to Hurricane Dorian in 2019) resulted in a 2.3% reduction in revenue year-over-year;
- Peak season performance was actually very good when compared to ongoing COVID impacts to other toll facilities.

Dominion Blvd. Comparison with Prior Forecast (Presented by Mr. Cuneo)

- Traffic and revenue were both below forecast;

- Traffic was down 5.5% and revenue was down 1% year-over-year due to COVID;
- Prior to COVID impacts, both traffic and revenue were up year-over-year and meeting forecast.

Dominion Blvd. Payment Method Shares (Presented by Mr. Cuneo)

- Use of EZPass continues to grow and now accounts for 85.2% of all toll transactions;
- Toll-by-Plate transactions continue to decline and represented 14.8% of toll transactions;
- EZPass transactions are forecast to grow to 89% of all toll transactions by 2025.

Dominion Blvd. Toll-by-Plate Performance (Presented by Mr. Cuneo)

- Collection of toll-by-plate revenue is expensive;
- During COVID, the cost to collect toll-by-plate revenue exceeded the revenue collected; however, collected revenue continues to exceed the cost to collect;
- The growth in EZPass is indicative of more users switching from toll-by-plate to EZPass which is a very good trend.

Dominion Blvd. Monthly Average Daily Traffic (Presented by Mr. Cuneo)

- Monthly traffic increased until COVID;
- COVID impacts began in March and continued for the remainder of the fiscal year with the deepest drop occurring in April with a 40% drop in daily traffic which was very comparable to many other toll facilities;
- Traffic levels began to rebound in May.

Dominion Blvd. Monthly Toll Revenue Trends (Presented by Mr. Cuneo)

- Dominion Blvd. toll revenue was meeting forecast thru February, but fell significantly due to COVID beginning in March;
- The largest drop in revenue occurred in April when revenue was 31.4% below prior year;
- Truck traffic, which pays a higher toll, did not drop as much as passenger vehicles which enabled overall revenue to not drop as much as overall traffic;
- Revenue continued to remain down approximately 10% after the initial COVID impacts which is actually very good when compared to the lingering impacts experienced by other toll operators.

CTS Monthly Toll Revenue Trends (Presented by Mr. Cuneo)

- CTS performed very well until COVID impacts began in March; April sustained the largest drop in system revenue which was down 44.5% compared to prior year;
- Toll revenue rebounded in June and was only down 7.9% compared to prior year;

- The Chesapeake Expressway rebounded well thru peak season, but Dominion Blvd. continued to produce revenue that was approximately 10% below forecast, but is hopeful that it will rebound further.

Draft Revised Traffic and Revenue Projections (Presented by Mr. Cuneo)

- The forecasting models are updated to reflect recent experience, updated growth and COVID;
- The new (draft) revenue forecasts are lower in the short term and then similar to the previous forecast after 2025;
- Dominion Blvd. had a larger decrease from the previous forecast due to a greater impact from COVID;
- The growth in EZPass and lower leakage will benefit Dominion Blvd. toll revenue going forward;
- The strong performance of the Expressway contributed to less of a decrease going forward than that shown for Dominion Blvd.;
- There is slight decrease in long term revenue;
- The new (draft) traffic forecast is below the previous forecast thru 2025 and then very similar after that.

CTS Operating Expenses and Renewal and Replacement (Presented by Mr. Ekiert)

- Based on preliminary, unaudited results for FY20, Operating expenses were less than forecast which contributed to the positive operating results for the year.

Detailed CTS Financial Plan (Presented by Mr. Ekiert)

- The graph was explained to show the previous performance over the last 5 years as well as the projections for the next 5 years;
- The impact of COVID is shown by the ‘flattening’ of the revenue curve during 2020 and the expected lingering effects in 2021;
- It is expected that in 2022, growth will resume;
- Beginning in 2020, surplus revenue must be used to accelerate retirement of the VTIB loan;
- Significant reserve funds have accumulated from good system performance during ramp-up and those funds can be used should a revenue shortfall occur which would allow CTS to meet its financial obligations.

Actual and Projected Financial Performance (Presented by Mr. Ekiert)

- Prior to 2020, we were able to use the surplus net toll revenue to build the reserve accounts shown on the previous slide;
- Although revenue was down in 2020, because Operating Expenses were below forecast, the system still generated net revenue that nearly met forecast;

- The updated forecast accounts for lingering COVID impacts and thus projected revenue is lower than forecasted last year;
- The good news is that we still have an expected revenue surplus but with a reduced operating margin over the next couple of years.

Observations and Conclusions (Presented by Mr. Ekiert)

- CTS is projected to be in compliance with its financial requirements in future years but with minimal surplus revenues in FY21 and 22;
- The next toll increase is scheduled for May 2021 based on the adopted toll schedule;
- No changes are recommended to the adopted toll schedules;
- The Traffic and Revenue Forecast is currently being updated;
- Toll rates, Discount Program Fees and Violation Fees for the Chesapeake Expressway, any recommended changes will be presented to the TTFAC at the January meeting.

At the conclusion of the presentation, Ms. Chappell asked why operating expenses were \$2.4M below forecast. Mr. Walton replied that the expenses as shown in the forecast are the estimated operating expenses developed by the consultants as part of the annual overall estimate of all expenses (operating, debt & renewal and replacement) and revenues. The actual operating expense budget is developed each year by CTS administrative and financial staff based on prior year expenditures and planned work for the current year including expected staffing levels, with no input from the consultants. The forecasted expenses essentially form a part of our annual financial plan which is monitored by the bond rating agencies and our actual performance is compared to the financial plan to measure overall system performance. Mr. Ekiert also pointed out that some of the operating expenses are related to the volume of traffic on the facilities and as traffic dropped, so did the associated expenses.

6. South Norfolk Jordan Bridge (SNJB) Update:

Mr. Crum presented an update for the South Norfolk Jordan Bridge. Traffic volumes experienced an upturn beginning in September. Specifically, truck traffic was up 10% year-over-year in September and is up 5% for the year. Overall, all traffic is down 12% thru September but traffic is returning and SNJB expected to finish the year down less than 10% for the year. Much of the increase in traffic is attributable to the recent arrival of an aircraft carrier at the shipyard (adjacent to SNJB) as well as closures and maintenance activities at nearby facilities that have diverted traffic to the SNJB. Ms. Latonio advised that SNJB had experienced similar revenue impacts as other toll facilities both locally and nationally. Ms. Latonio also shared that revenue had also been impacted by delays in tax filings and DMV extensions to vehicle registrations which impacted the collection of delinquent toll revenue.

Mr. Walton asked Ms. Latonio to give an update on the progress of the Reciprocity Agreement between Virginia and North Carolina; Ms. Latonio advised that the process has been stalled due to COVID impacts and it was unknown when that would restart.

7. New Business/Discussion:

Mr. Walton advised that the committee that he sent out proposed meeting dates for the 2021 meeting calendar and he asked if the committee was ready to set the dates; the committee needed more time and only the January meeting date was set. The next TTFAC Meeting will be held at 11:30 am on Jan 21st location to be determined.

Ms. Chappell inquired about a possible toll rate increase on the SNJB and Mr. Crum advised the committee that a toll increase determination had not been made but a firm decision would be made very soon. Ms. Chappell then explained that even though SNJB wasn't a City owned/operated facility, a local ordinance required TTFAC to hold a public hearing if there is a proposed toll increase on that facility.

The meeting was adjourned at 12:30 pm.