

Transportation Toll Facility Advisory Committee
Quarterly Meeting – via Zoom
January 21, 2021

1. **Call to Order:** Bryan Cunningham, Chairman, called the meeting to order at 11:34 am.

2. **Roll Call**

Committee Members in Attendance

Vonda Chappell 501 Independence Pkwy. Ste. 100 Chesapeake, VA 23320

Bryan Cunningham 4050 Devon Dr. Chesapeake, VA 23321

Tawanna McFarlin 4647 Goose Creek Flyway Chesapeake, VA 23321

Lynne Kennedy 445 N Battlefield Blvd. Ste. J Chesapeake, VA 23320

Rachel Anderson 1006 Rue Marseille Chesapeake, VA 23320

Ex-officio Members in Attendance

Kelly Lackey

Robert N. Geis

Earl Sorey

Committee Members not in Attendance

Kemo Dassau

Non-Committee Members in Attendance

Gary Walton

Leigh Ann Kling

Terry Shaw

Meredith St. John

Amanda McAdams

Sean Ekiert

Belinda Malone

Sandra Hodge

Kevin Crum

Dave Cuneo

Jason Brown

3. **Approval of Meeting Minutes**

Mr. Cunningham opened the floor for questions or discussion of the meeting minutes for the October 8, 2020 meeting; hearing none, a motion for approval was made and seconded, a roll call vote was taken and the meeting minutes were approved unanimously.

4. **Chesapeake Transportation System Financial & Traffic Summary**

Mr. Dave Cuneo of Steer (traffic and revenue consultant for the Chesapeake Transportation System), and Mr. Sean Ekiert of Raymond James (financial advisor to the City) presented an update on the financial performance of the Chesapeake Transportation System (CTS) as well as the traffic and revenue trends on the Chesapeake Expressway and Dominion Boulevard Veterans Bridge as contained in the attached presentation.

Traffic and Revenue Forecast Update (Presented by Mr. Cuneo)

- The Chesapeake Expressway forecasting model key inputs were updated as follows:
 - Revised future corridor traffic growth models
 - Updated payment method shares and values of time
- The Dominion Boulevard forecasting model was refined with more observed performance as a guide and reflecting potential travel changes from COVID:
 - Extended COVID related traffic recovery trajectories
 - Reduced auto trips by 5% in the medium term and around 1% longer term
 - Adjusted Toll by Plate leakage performance reflecting stronger performance in 2020

Traffic Performance (Presented by Mr. Cuneo)

- Year over year, a deep decrease was noted in March and April on both facilities
 - Levels have generally returned on the Expressway
 - Levels remain around 10% lower on Dominion

Revised Traffic and Revenue Projections-Short Term (Presented by Mr. Cuneo)

- New forecasts through 2025 are lower in early years
 - Dominion Boulevard's revenue decreases by 1%
 - Expressway's revenue decreases by 6%
- After 2023 Dominion Boulevard shows an increase due to better Toll by Plate revenue collection performance

Revised Traffic and Revenue Projections-Long Term (Presented by Mr. Cuneo)

- Longer-term forecasts through 2050 are generally similar for Dominion
 - Small cumulative increase of 0.4% (\$4 million)
- Longer-term forecast through 2050 for the Expressway are a little lower due to lower growth outlook
 - Small cumulative decrease of 4% (\$33 million)

Toll Rate Analysis (Presented by Mr. Cuneo)

- Due to the scheduled upcoming toll rate increase for the Expressway and the uncertainty of the current environment, an analysis was performed using toll rates other than those scheduled.
- Analysis showed no alternatives that clearly outperformed the scheduled toll rates.
- Given the other financial consideration, adhering to the currently approved schedule is recommended.

Mr. Walton stated a number of different alternatives to the planned toll increase on the Expressway were evaluated, but none of which bridged the gap that we are experiencing

due to impacts of COVID. He also noted that information related to the evaluation of the alternatives is available to Committee members for review if desired.

Rate Covenant (Presented by Mr. Ekiert)

- The Bond Indenture requires tolls and user fees to be set such that Net Toll Revenue (Revenue less Operating Expenses) in any fiscal year be at least equal to:
 - 1.30x Senior Bond Debt Service
 - 1.10x All Debt Service
 - 1.00x All Debt Service and Deposits
- To ensure compliance, CTS targets a minimum coverage of 1.20x of all Debt Service and Deposits
- If CTS is not in compliance based on the prior year financials, the City must engage a Toll Consultant to submit a written study containing recommendations for bringing the system in to compliance to the City, VDOT and the Bond Trustee
 - The City must take action to implement the Toll Consultant recommendations within 60 days of receiving the study.
 - The City shall not be in default provided that the recommendations of the Toll Consultant are implemented
- At this time, CTS is in full compliance of all financial requirements

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

- Coverage of All Required Debt Service and Deposits complied with the Rate Covenant, but was below target in FY2020
- Despite the scheduled toll rates changes on the Expressway, coverage of all Required Debt Service and Deposits is forecast to remain below target in FY2021 and FY2022
- The targeted coverage of 1.20x of All Required Debt Service and Deposits equates to targeted Surplus Net Toll Revenue of approximately \$3 million
- Projected Surplus Toll Revenue is projected at \$1 million in FY2021 and \$1.3 million for FY2022, which is in compliance but is below the target coverage margin
- Surplus Net Toll Revenue and surplus revenue from interest earned on cash reserves are required to be used to accelerate VTIB debt retirement

Rating Agency Considerations (Presented by Mr. Ekiert)

- \$96 million of the Series 2012A Senior Bonds are callable at par beginning July 15, 2022. Given low interest rates, the City may have the opportunity to refinance these bonds over the next 18 months to reduce the CTS's debt service
 - Debt Service savings due to refinancing is dependent upon CTS's credit ratings at the time the refunding bonds are sold
 - In January 2020, CTS Senior Bonds were upgraded by S&P from "BBB" to "BBB+". In April 2020, S&P revised the outlook on the "BBB+" to "negative" meaning there is "at least a one-in-three likelihood of a negative rating action over the intermediate term"

- In April 2020 and again in May 2020. Fitch announced it was maintaining its “BBB” rating and “stable” outlook
- Fitch states “CTS benefits from a demonstrated traffic base and an approved long term schedule of further toll increases on both facilities, which should help to offset near-term substantial negative volume pressure stemming from the recent outbreak of the coronavirus and related containment measures.”
- Given the substantial reduction in revenue for FY21-23, any revisions to the previously adopted CTS toll and fee schedules that would reduce total projected revenue would be viewed negatively by the rating agencies

Mid-Year Update (Presented by Ms. Malone)

- COVID mitigation efforts continue to impact CTS Traffic and Revenue
- The Expressway continues to outperform expectations
- Dominion Boulevard continues to lag expectations
- Mr. Cuneo and Mr. Ekiert completed the Bi-Annual Traffic and Revenue update in December and have recommended that we adhere with the adopted toll schedule

CTS Financial Summary-Revenue (Presented by Ms. Shaw)

- CTS overall is doing better year over year with a 1.5% increase year-to-date
- The Expressway has seen a substantial 9.5% increase year-over-year
 - September and October revenues in 2020 were much higher than they were in 2019
- Dominion Boulevard has seen a 7.8% decrease year-over-year
- YTD expenses are \$4,526,000 vs. \$4,663,700 in prior year-to-date
- 39.4% of the operating budget has been expended
- Expenses are estimated to be near or below budget and below forecast
- Largest expenses occurred in: Back Office Contract, Customer Service and Delinquent Account Collections, Personnel and VDOT E-ZPass fees
- Upcoming large expenditures are covered in R&R construction

Chesapeake Expressway Summary (Presented by Ms. Malone)

- Traffic Highlights:
 - Overall Traffic is up 1.3%
 - Cash Traffic is down 9.5%
 - Full-fare E-ZPass transactions are up 15%, Discount Program transactions are down 7.3%
 - E-ZPass continues to grow and is now accounts for 81.1% of all toll transactions year-to-date
 - Cash transactions continue to decline and now account for 18.9% of all toll transactions year-to-date
 - The violation rate is approximately 3%, with approximately 43% of toll violations collected through the VToll process
- Expressway Revenue Highlights:
 - Revenue is up 9.5%
 - Cash revenue is up 0.4%

- E-ZPass revenue is up 13.6%

Dominion Boulevard Veterans Bridge Summary (Presented by Ms. Malone)

- Traffic Highlights:
 - Traffic is down 11.7%
 - E-ZPass traffic is down 12.1%
 - Toll-by-Plate traffic is down 9.6%
 - 34% of invalid transactions and 21% of toll-by-plate transactions are collected via the VToll process
- Traffic is expected to increase as COVID mitigation efforts continue, but is expected to be depressed in the short term
- Approximately \$485,000 has been collected on delinquent accounts

Mr. Cunningham inquired about the outstanding balance was on delinquent accounts; Mr. Walton and Ms. Shaw advised they would provide the numbers at a later time. Mr. Walton stated that the amount collected on delinquent accounts is just a fraction of the overall balance mainly due to out of state violators that choose not to pay and this will continue to be an issue until reciprocity is reached with North Carolina. Ms. Shaw also advised that we do a write off every year for amounts over 2 years old. There is a possibility of still collecting on those amounts but collection efforts are geared to more recent delinquent accounts. Ms. McFarlin asked if we work with the DMV for collection on delinquent accounts. Ms. Malone replied that DMV vehicle registration holds have proven to be successful and represent the bulk of the collected delinquent funds. Ms. Malone noted that the City Treasurer also pursues collection on delinquent accounts with garnishments and liens. Ms. McFarlin asked if the amounts to be written off were they mainly from ‘out of towners’ and Ms. Malone replied ‘yes’, they make up the bulk of that amount.

5. Vote on Toll Schedule

Mr. Cunningham called for a vote to maintain the current adopted toll schedule; a roll call was taken with the Committee approving unanimously to uphold the previously adopted toll schedule. Mr. Walton will draft a letter for the Committee to present to City Council at a future work session (TBD at the time of the meeting).

Mr. Geis advised that the City was sensitive to the impact of the toll increase on the public.

6. South Norfolk Jordan Bridge (SNJB) Update:

Mr. Crum presented an update on the South Norfolk Jordan Bridge. Mr. Crum advised that average daily traffic (volume) was 6,712 per day which represented an 11.3% decrease compared to prior year and he shared that there were similar decreases at other area facilities

such as the tunnels and Gilmerton Bridge. In addition, truck traffic increased by 5.2% and weekend traffic remained unchanged. E-ZPass usage is at 81%. Mr. Crum thanked the TTFAC members for their participation in the December public information meeting for the new toll rates which went into effect on January 1.

7. New Business/Discussion:

None

The meeting was adjourned at 12:21 pm.