
Chesapeake Transportation System
May 22, 2012

Dominion Boulevard Team

City of Chesapeake, Virginia

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The Philip A. Shucet Company

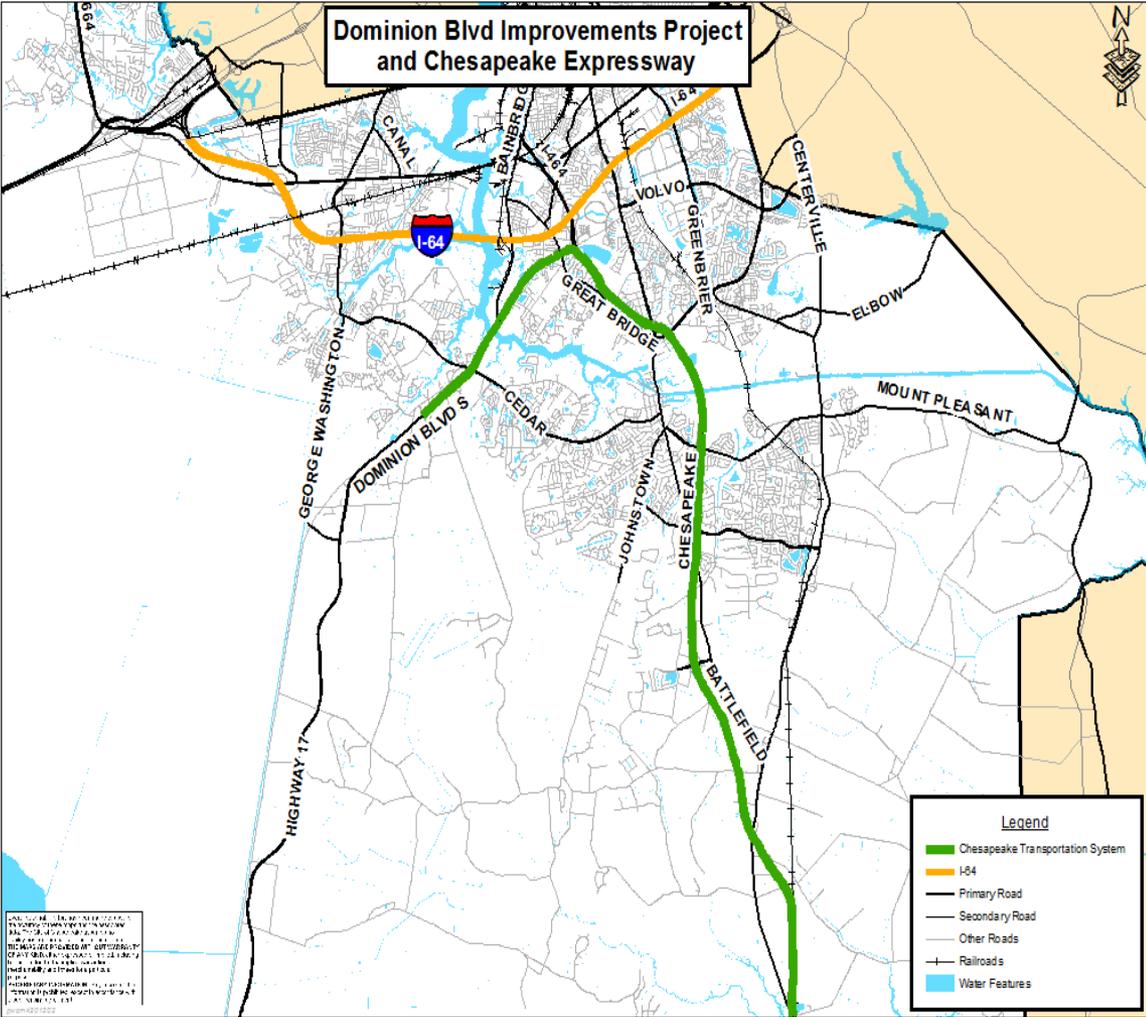
Philip Shucet, President

Executive Summary

- Improvement of Route 17/Dominion Boulevard was first included in the Regional Long-Range Plan as a toll facility in 2003 in recognition of limited transportation funding from traditional sources
- Project has been designed as a toll facility; traffic forecasts and design based on an initial \$1 toll for two-axle vehicles equipped with E-ZPass (“Initial Toll”)
- Initial Toll would have been higher without VTIB loan (\$152M) and RSTP funds (\$55M) obtained through the Hampton Roads Transportation Planning Organization
- Steer Davies Gleave (SDG) has prepared a draft investment grade traffic and revenue study for the Chesapeake Transportation System which includes both Dominion Blvd.. and the Chesapeake Expressway
- Toll rates are forecast to be set at the lowest possible levels that produce revenue needed to service the Chesapeake Transportation System’s obligations and operate and maintain the facilities
- Traffic profiles and composition for Dominion Boulevard and Chesapeake Expressway are quite different
- Given the different traffic profiles, different toll rates are proposed for the two facilities

Chesapeake Transportation System

Financing of the Dominion Boulevard Project based on a system of toll facilities that includes the improved Dominion Boulevard and the existing Chesapeake Expressway – A plan first examined in the 2006-07 VDOT/City study of Dominion Boulevard and adopted by City Council October 26, 2010.



Guiding Principles

The *Chesapeake Transportation System* (“CTS” or “System”) should:

- Address safety deficiencies
- Enhance mobility
- Support economic growth and vitality
- Provide infrastructure at the lowest possible public cost
- Demonstrate fiscal integrity
- Operate in a manner that covers all obligations to the FHWA, VDOT, and bond holders
- Include periodic toll rate increases to avoid larger, less-frequent increases

Dominion Boulevard Status & Schedule

- Design: 100% plans, specifications, and estimates - May 2012
- Right-of-way is approximately 62% complete and all residential relocations are completed. Remaining parcels to be acquired by June/July 2012.
- Permitting agencies include:
 - ✓ U.S. Army Corps of Engineers
 - ✓ Virginia Marine Resources Commission
 - ✓ Virginia Department of Environmental Quality
 - ☐ U.S. Coast Guard – anticipated issuance June 2012
- Construction Plan
 - Advertisement – July 2012
 - Construction Start – early 2013
 - Project Completion – early 2017

Proposed Toll Rate Schedules

- In order for the Dominion Boulevard Project to be successfully financed, the ability of the Chesapeake Transportation System to meet its financial obligations in the future must be demonstrated to a number of constituents:
 - Rating Agencies
 - Investors for the Senior Toll Revenue Bonds
 - Virginia Department of Transportation
 - Virginia Resources Authority (VTIB Manager)
 - Federal Highway Administration
- Adoption of long-range toll rate schedules for the System will improve transparency and demonstrate City Council's commitment to meeting the System's financial obligations.
 - Rating agencies and bond investors would view adoption of long-range toll rate schedule positively
 - Higher bond ratings mean investors will accept a lower interest rate on the bonds and thus enable toll rates to remain low
- City Council will retain the authority to adjust toll rates in the future, subject to compliance with the bond covenants, VTIB loan agreement, and VDOT/FHWA requirements

Dominion Boulevard Tolling Approach

- Tolls will be collected on Dominion Boulevard with 100% Open Road Tolling
- Vehicles equipped with Electronic Toll Collection (E-ZPass) will be charged a \$1 toll each direction (in 2017 dollars)
- Vehicles without E-ZPass will have their tolls collected by “video”
 - Their license plate image will be captured and they will be sent a bill for their toll
 - Initial bill will include the option to join E-ZPass
 - Toll rates will be \$2.00 higher to offset the higher cost of collection



Proposed Toll Rate Schedule, Dominion Boulevard

- Based on the proposed 2017 toll rate:

- 2-axle passenger cars pay

- \$1 each way with E-ZPass
- \$3 each way without E-ZPass



- 3-axle trucks pay

- \$1.50 each way with E-ZPass
- \$3.50 each way without E-ZPass



- 5-axle tractor trailers pay

- \$2.50 each way with E-ZPass
- \$4.50 each way without E-ZPass



Proposed Toll Rate Schedule, Dominion Boulevard

Fiscal Year	E-ZPass Rate		Non-E-ZPass Rate	
	Two Axles	Each Additional Axle	Two Axles	Each Additional Axle
2017	\$1.00	\$0.50	\$3.00	\$0.50
2018	\$1.05	\$0.53	\$3.05	\$0.53
2019	\$1.10	\$0.55	\$3.10	\$0.55
2020	\$1.16	\$0.58	\$3.16	\$0.58
2021	\$1.22	\$0.61	\$3.22	\$0.61
2022	\$1.28	\$0.64	\$3.28	\$0.64
2023	\$1.34	\$0.67	\$3.34	\$0.67
2024	\$1.41	\$0.70	\$3.41	\$0.70
2025	\$1.48	\$0.74	\$3.48	\$0.74
2026	\$1.55	\$0.78	\$3.55	\$0.78
2027	\$1.63	\$0.81	\$3.63	\$0.81
2028	\$1.71	\$0.86	\$3.71	\$0.86
2029	\$1.80	\$0.90	\$3.80	\$0.90
2030	\$1.89	\$0.94	\$3.89	\$0.94
2031	\$1.98	\$0.99	\$3.98	\$0.99
2032	\$2.08	\$1.04	\$4.08	\$1.04
2033	\$2.18	\$1.09	\$4.18	\$1.09
2034	\$2.29	\$1.15	\$4.29	\$1.15
2035	\$2.41	\$1.20	\$4.41	\$1.20

- Notes:
- (1) 2-Axle E-ZPass Toll and Additional Axle Toll increase 5% each year
 - (2) Non-E-ZPass Rate is \$2.00 higher than E-ZPass Rate for all vehicles in all years
 - (3) Non-E-ZPass Tolls shall be collected via Video/License Plate recognition – no cash tolls will be collected
 - (4) Motorcycles shall be charged the 2-axle toll rates

Proposed Toll Rate Schedule, Chesapeake Expressway

	<u>Two Axles</u>			<u>Three or More Axles</u>		
	<u>Discount</u>	<u>Peak</u>	<u>Off-Peak</u>	<u>Discount</u>	<u>Peak</u>	<u>Off-Peak</u>
Present – 4/30/16	\$0.75	\$6.00	\$3.00	\$2.00	\$7.00	\$4.00
5/1/16 – 4/30/21	\$0.75	\$8.00	\$3.00	\$2.00	\$9.00	\$4.00
5/1/21 – 4/30/26	\$1.00	\$9.00	\$4.00	\$2.25	\$10.00	\$5.00
5/1/26 – 4/30/31	\$1.00	\$10.00	\$4.00	\$2.25	\$11.00	\$5.00
5/1/31 – 4/30/36	\$1.25	\$11.00	\$5.00	\$2.50	\$12.00	\$6.00

Notes:

(1) Peak Tolls shall apply on Saturdays and Sundays beginning the Saturday before Memorial Day weekend through the Sunday after Labor Day weekend. Corresponding dates for 2012 are May 19th to September 9th

(2) Tolls collected via E-ZPass and cash. Only E-ZPass users enrolled in the City’s Discount Program are entitled to the Discount toll rate – all other E-ZPass users are subject to Peak and Off-Peak rates

(3) Motorcycles shall be charged one-third of the 2-axle toll rates (currently \$2.00 Peak, \$1.00 Off-Peak) and are not eligible for the discount program

Chesapeake Transportation System Travel Survey



Dominion Boulevard

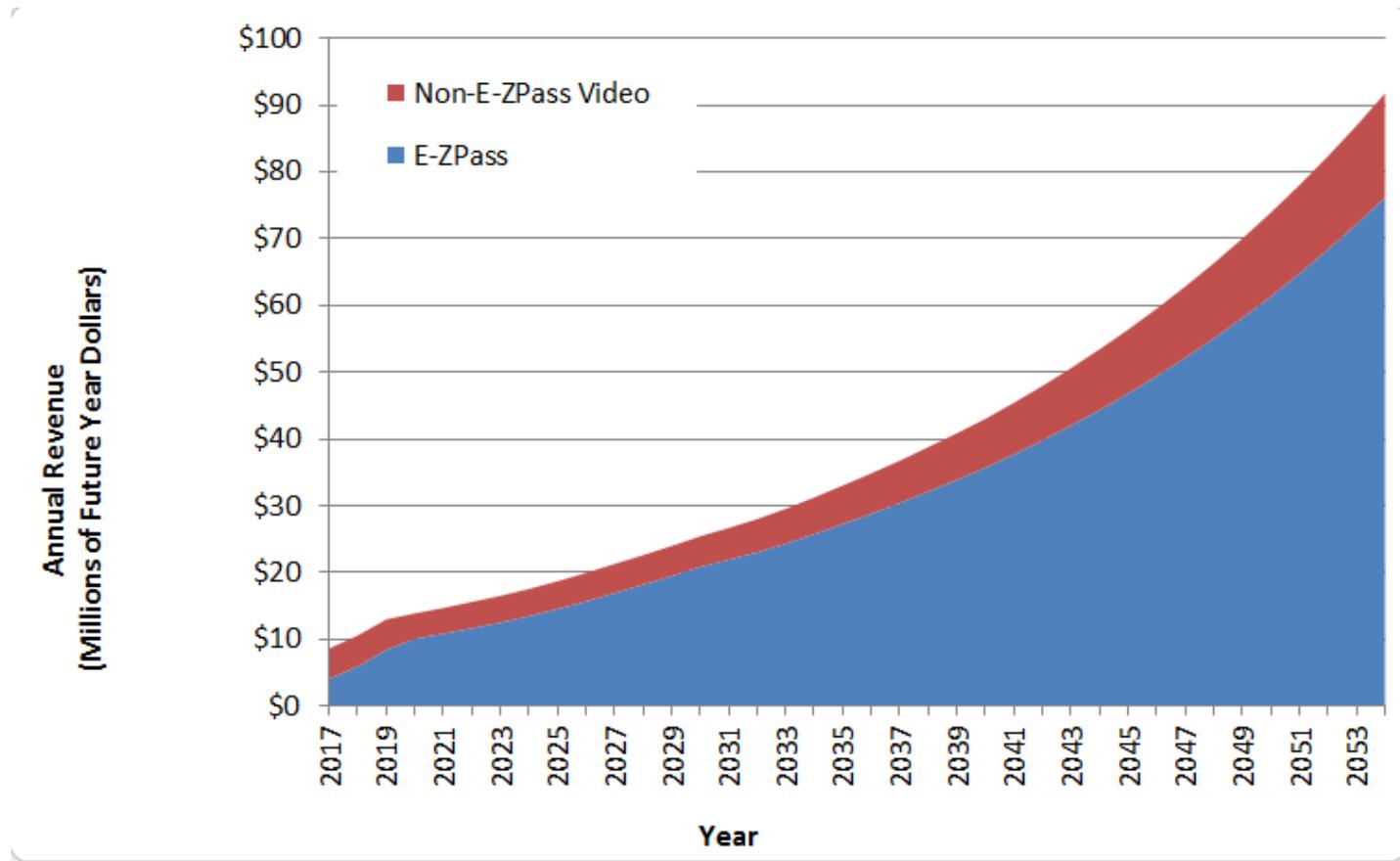


Chesapeake Expressway

	Dominion Boulevard	Chesapeake Expressway
Trip Type	More Commuter	More Leisure; Seasonably Distributed
Travel Preferences	<ul style="list-style-type: none"> - Over 80% of users claim to have been stopped while the Steel Bridge opens - 20% claim to avoid the bridge 	<ul style="list-style-type: none"> - Travelers express a stronger stated desire to get to destination sooner and a higher willingness to pay tolls
Good or Very Good evaluation of Facility?	20% of Respondents	83% of Respondents
NC Traffic	Only 20% of users are from North Carolina	56% of Discount Program Users are from North Carolina

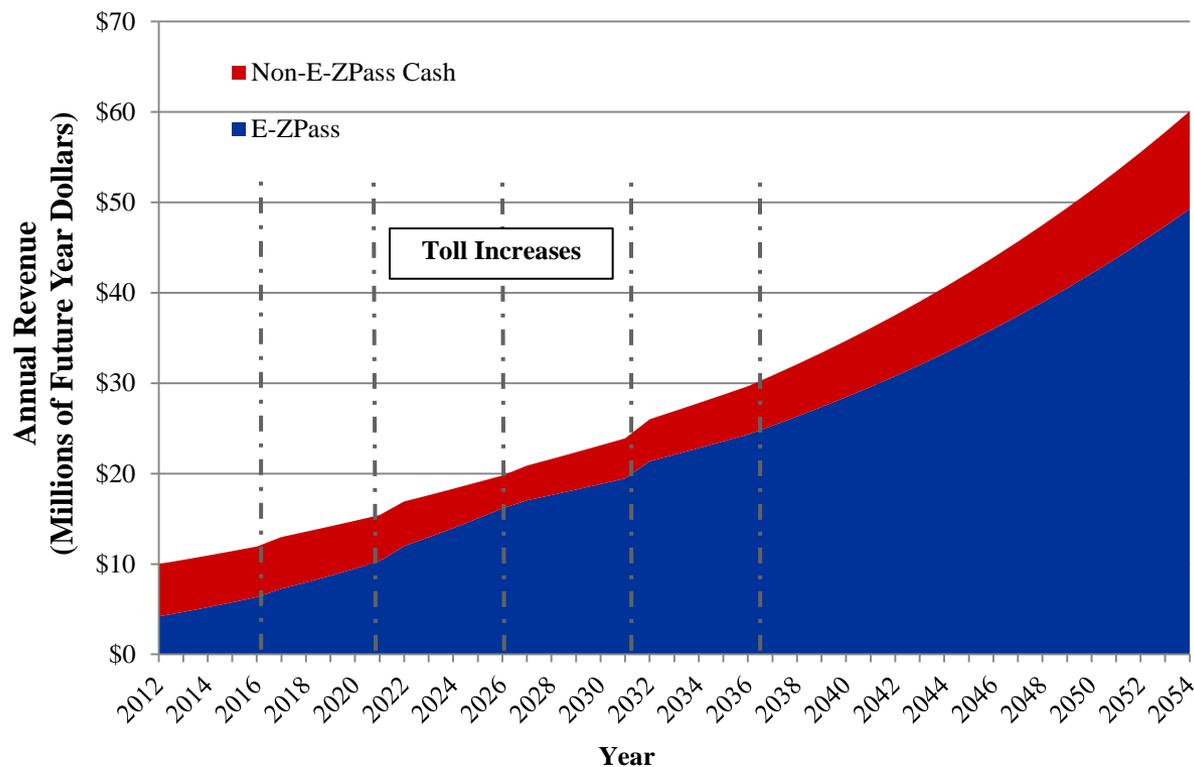
Dominion Boulevard Revenue Forecast

- Toll revenue is forecast to grow to \$33.9 million for 2035; toll rate increases 5% annually



Chesapeake Expressway Revenue Forecast

- Toll revenue is forecast to grow to \$28.7 million for 2035; periodic increases every 5 years to avoid larger, one-time increases

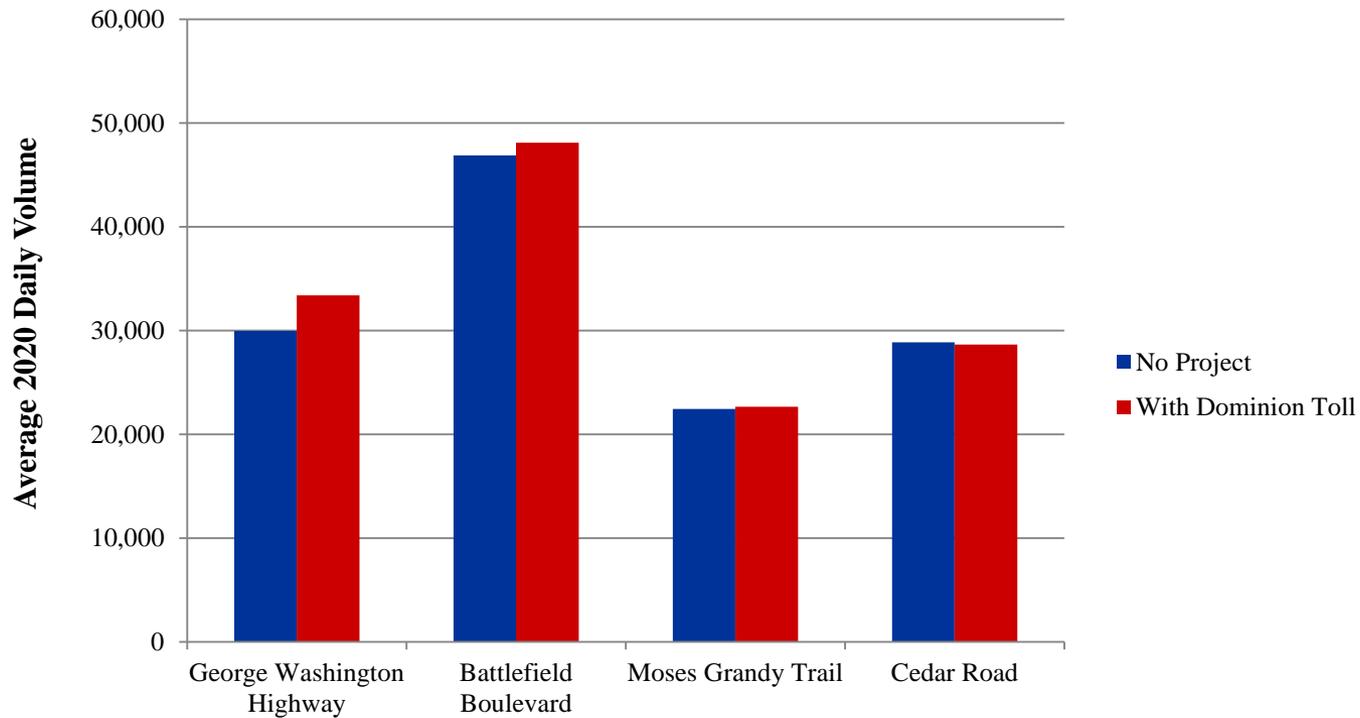


Dominion Boulevard Traffic Characteristics

- In 2017, 71% of traffic on Dominion forecast to be two-axle E-ZPass paying \$1 each direction, increasing to 86% being two-axle E-ZPass in 2020 paying \$1.16
- New roadway eliminates bridge openings and provides interchanges at Cedar Road, relocated Bainbridge Boulevard, and Great Bridge Boulevard, thus traffic on the mainline does not stop
- Travel time savings is highest during morning and afternoon peak periods due to congestion on alternate routes
- Dominion Boulevard is forecast to “capture” between 40% - 65% of travelers between US 17 at the North Carolina border and I-464 towards Norfolk depending on time of day
- Traffic volumes expected to increase 1.5% annually

Dominion Boulevard Traffic Diversion

- The toll on Dominion causes traffic to divert to the alternate north-south routes (George Washington Highway and Battlefield Boulevard)
 - Traffic levels remain basically the same on east-west routes (Moses Grandy and Cedar)



Primary Sources and Uses

SOURCES OF FUNDS

(\$ in millions)

Senior Toll Revenue Bonds - Tax-exempt Current Interest Bonds	131.8
Senior Toll Revenue Bonds - Tax-exempt Capital Appreciation Bonds	96.1
Total Senior Bond Proceeds	<u>227.9</u>
Virginia Transportation Infrastructure Bank Loan	151.9
Previously Allocated Funds for Dominion Boulevard	85.8
Construction Fund Interest Earnings	2.6
Total Sources	<u>468.2</u>

USES OF FUNDS

(\$ in millions)

Total Project Costs	411.7
Toll Revenue Bonds Capitalized Interest (net deposit)	30.7
Toll Revenue Bonds Debt Service Reserve Fund	22.8
Underwriters' Discount	1.5
Other Costs of Issuance	1.5
Total Uses	<u>468.2</u>

Factors Influencing Required Initial Toll Rates

- Favorable VTIB terms and additional funds through the HRTPO have helped reduce the initial rate
- Results of Revised Traffic and Revenue Forecast
- Results of Revised Operating Expense Projections (influenced by Traffic Projections)
- Covenants and conditions required for senior toll revenue bonds
- Final Costs of Construction and Right-of-Way Acquisition
- Credit Ratings Received for Senior Toll Road Revenue Bonds
- Bond Market Conditions (Interest Rates) at the time the Senior Toll Road Revenue Bonds are sold
- Additional funding via grants or other allocations
- * Note that any significant adjustment to the toll rate will require additional traffic modeling and subsequent review and approval by VDOT/FHWA

Factors Influencing Required Future Toll Rates

- Timeliness of Construction Completion
- Actual traffic and revenue once project is complete and toll collection begins
- Actual operating, maintenance and renewal expenses over time
- Percentage of travelers equipped with E-ZPass
- Compliance with financial covenants in Bond Indenture, VTIB Loan Agreement and other agreements with VDOT

Next Steps

- Steps must be followed in order and as scheduled
- Toll rate setting is critical path
- Items to be completed for January 2013 construction start include:
 - Transportation Toll Facility Advisory Committee (TFAC) Public Input Process – June
 - Advertise for construction bids – July
 - Adoption of toll rate schedule – July
 - Rating agency visits and presentations – August
 - Receive construction bids – September
 - CTB approval of contract award – October
 - Council approval of bond issuance agreements – October
 - Award construction contract and close on financing – November
 - Construction start – January 2013
- Continue to publicize project updates and this presentation on City's web site, which will also be available at City facilities
- Staff is available for individual Council briefings as was done last spring with Expressway
- * Tonight authorize execution of tolling agreement with VDOT and FHWA