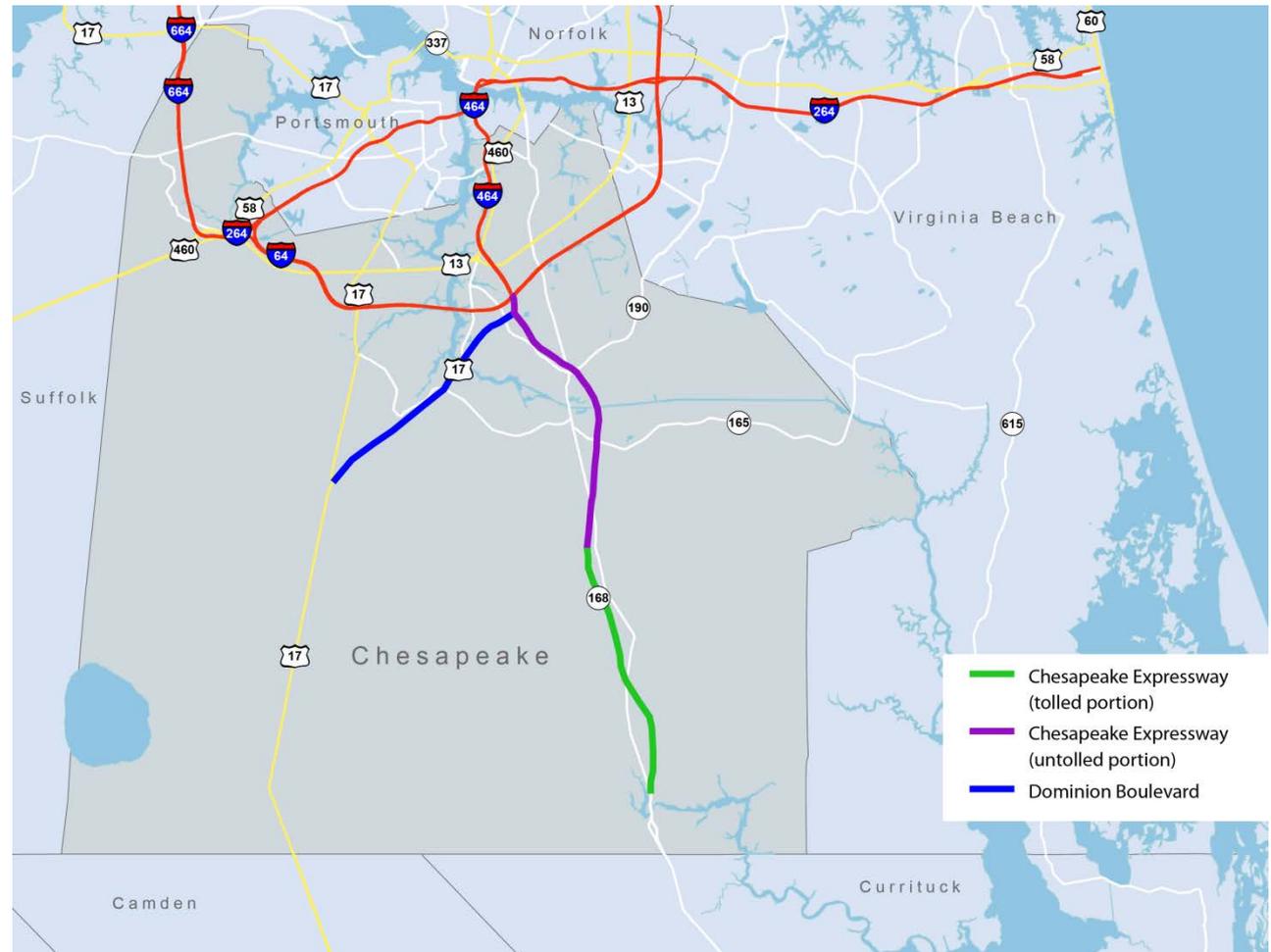


Chesapeake Transportation System
July 10, 2012

Chesapeake Transportation System

- The Chesapeake Transportation System (CTS) consists of the existing Chesapeake Expressway and the improved Dominion Boulevard
- The CTS will operate as a single facility, with operations being combined to reduce redundancy and overhead
- Tolls on the Dominion Blvd portion will not be imposed until construction is complete



CTS: Dominion Boulevard Status & Schedule

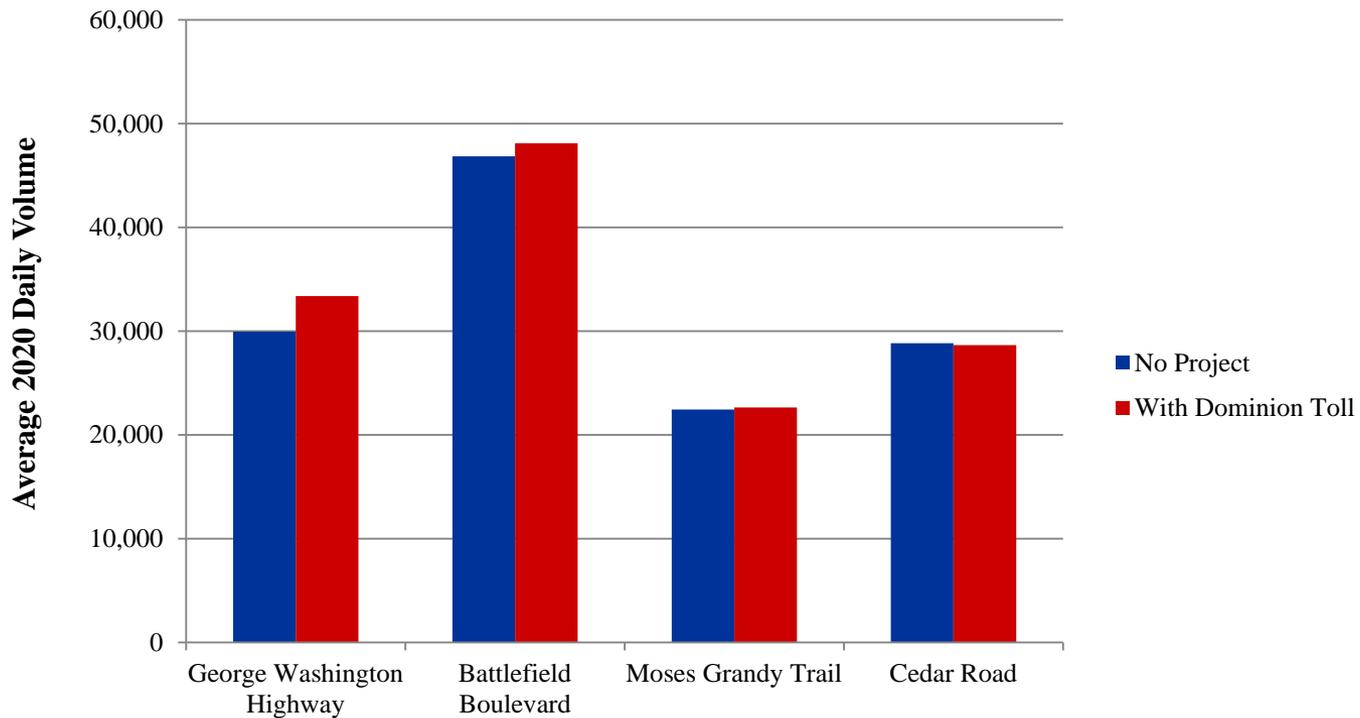
- Design: 100% plans, specifications, and estimates complete
- Right-of-way is approximately 70% complete and all residential relocations are completed. Remaining parcels to be acquired by Fall 2012.
- Although we will have legal possession of all properties by Fall 2012, the final cost of those properties going through the court process will not be known for 2 – 3 years.
- Permitting agencies include:
 - ✓ U.S. Army Corps of Engineers
 - ✓ Virginia Marine Resources Commission
 - ✓ Virginia Department of Environmental Quality
 - ✓ U.S. Coast Guard
- Construction Plan
 - Advertisement – advertised as a single contract on July 1, 2012
 - Construction Start – early 2013
 - Project Completion – early 2017

CTS: Traffic and Revenue Study

- Steer Davies Gleave (SDG), in conjunction with Michael Baker Corporation (Baker) and Economic Development and Research Group (EDRG), was engaged by the City of Chesapeake to prepare investment grade traffic and revenue forecasts for the toll system of Dominion Boulevard and the Chesapeake Expressway
- SDG developed travel demand models for Dominion Boulevard and the Chesapeake Expressway. The model development utilized:
 - traffic count data
 - travel time data
 - travel survey
 - independent land use assessment
- The Traffic and Revenue forecasts have been incorporated into the City's plan of finance for the CTS

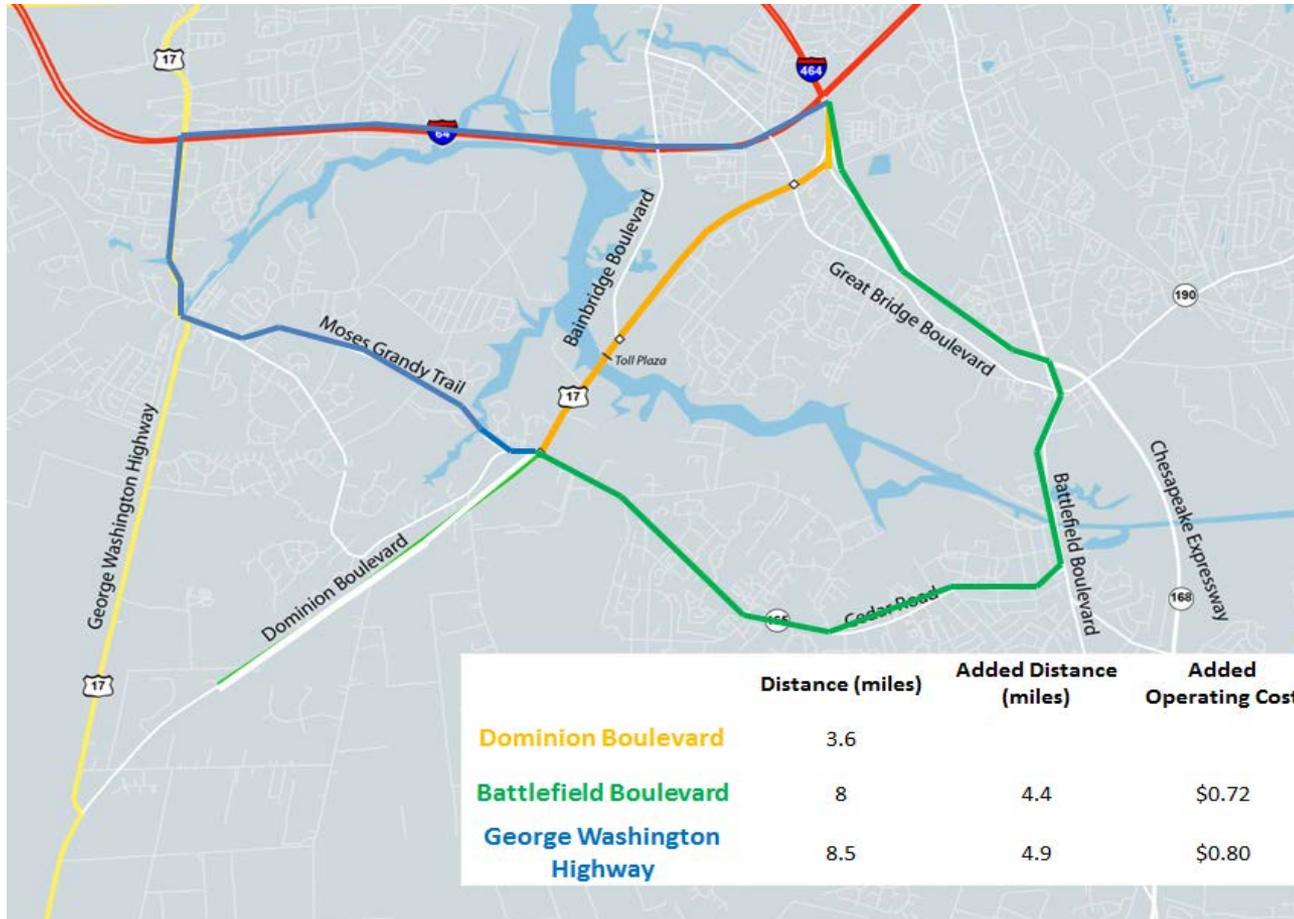
Dominion Boulevard Projected Traffic Diversion

- 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)
 - More reliable travel times due to elimination of bridge openings may attract some traffic *from* alternative routes *to* Dominion.



Dominion Boulevard Projected Traffic Diversion

- Applying AAA's \$0.1628 operating cost per mile, the alternate routes added costs of \$0.72 to \$0.80 per trip



Chesapeake Expressway Rate Increase, 2011

In 2011, a new Toll rate schedule was adopted for the Chesapeake Expressway in order to:

- Provide sufficient revenue to meet operating, maintenance, debt service requirements of Expressway
- Meet the increasing renewal and replacement costs of the Expressway
- Enhance the creditworthiness of the Bonds

Results:

- Total Expressway Revenue for the Peak Season was \$5.93 million, an increase of \$2.49 million or 72% over 2010.
- 92% of the additional revenue, or \$2.29 million, was generated on weekends.
- Total Expressway Revenue for the Peak Season exceeded the Steer Davies Gleave forecast by \$1.19 million, or 25%, with nearly all of the variance from the SDG forecast attributed to higher-than-expected weekend traffic.
- Total Weekday Traffic and Revenue for the period was very close to the SDG forecast.

Chesapeake Expressway Revenue Usage, FY 11/12

| | |
|--|--------------------------|
| ➤ <i>Major Renewal and Replacement projects completed last year:</i> | |
| ➤ Paving – Hanbury to Hillcrest | \$ 1,508,000 |
| ➤ Toll Hardware / Software Upgrades | \$ 1,079,389 |
| ➤ Equipment Upgrades/Replacement | \$ 832,300 |
| ➤ Miscellaneous Repairs | <u>\$ 204,000</u> |
| Total | \$ 3,623,689 |

Chesapeake Expressway Revenue Usage, FY 12/13

➤ **Major Renewal and Replacement projects planned for FY 2012 – 2013:**

| | |
|--|--------------------------|
| ➤ Paving – N.C. State Line to Gallbush | \$1,817,700 |
| ➤ Roadway Repairs (Ditches, Shoulders, Side Slopes, Drainage, Signs, Pavement Markings) | \$ 166,700 |
| ➤ Guardrail, Fencing, etc. | \$ 173,700 |
| ➤ Stormwater Management (Basins) | \$ 48,900 |
| ➤ Bridge Elements | \$ 95,300 |
| ➤ Administrative Building & Canopy | \$ 142,800 |
| ➤ Toll Equipment | <u>\$ 201,500</u> |
| Total | \$2,646,600 |

Dominion Blvd: Primary Sources and Uses of Funds

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> |

VTIB Loan

- Loan request approved by CTB on January 18 based upon City's loan application and plan of finance:
 - Amount up to \$151.9 million. Amount of VTIB Loan to be reduced if total project costs, including construction and right-of-way acquisition, are lower than forecast
 - Flexible loan repayment schedule with full repayment within 35 years after substantial completion
 - Repayment subordinate to repayment of Senior Toll Road Revenue Bonds
 - Interest rate locked in at 3.33%
 - Senior Bonds must receive investment grade ("BBB"-category or higher) ratings
 - VDOT and VRA review of final traffic and revenue studies, engineering reports, bond indenture prior to loan closing
 - Loan commitment expires December 31, 2012 if financing not completed

Note: Full amount VTIB capital has been committed to Dominion Boulevard, US Route 460 improvements, and a project in Loudoun County

CTS 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 and investors
 - State and Federal agencies
- 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 for debt, operating and maintenance costs
- Proposed toll rates are set at the lowest possible levels that produce revenue needed to complete the financing of the Dominion Boulevard Project, service the CTS's obligations and operate and maintain the facilities.
- 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

Proposed Toll Rate Schedule, Dominion Boulevard

| FY Ending 6/30 | 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

TTFAC Hearing

- Hearing held on June 18, 2012
- 51 people attended and 17 addressed TTFAC
- Total of 65 comments received during public comment period; one email contained a petition signed by 242 people opposing the toll
- Common themes were:
 - Opposition to tolls
 - Location of toll collection points
 - Need for discount programs
 - Opposition to foreign/private financing and operation
 - Design of Dominion Boulevard
- TTFAC recommended:
 - A two-tiered toll system be explored and/or a frequent user discount be established
 - Dominion Blvd rate increase be postponed until FY 2019
 - Tolling and diversion issues be re-examined as construction of the improvements progresses
- Full TTFAC report is included in Appendix 2 of the staff report

Summary

- Toll rates are forecast to be set at the lowest possible levels that produce revenue needed to complete the financing of the Dominion Boulevard Project, service the CTS's obligations and operate and maintain the facilities.
- All toll revenues of the CTS will be used solely for operations, maintenance, rehabilitation and repayment of debt for the System.
- Initial toll for Dominion Boulevard would have been much higher without the Virginia Transportation Infrastructure Bank loan (\$152 million) and regional funds (\$55 million) obtained through the Hampton Roads Transportation Planning Organization.
- The recommended rate structure for the Chesapeake Expressway maintains the discount rate which remains \$0.75 until mid-2021.
- City Council retains authority to adjust toll rate schedules subject to:
 - Meeting all financial and legal obligations
 - Satisfying VDOT/FHWA Level of Service requirements
- City Council shall be provided an annual report regarding traffic, revenue, operating expenses, major repairs and maintenance, and repayment of debt for the System.
- City staff will continue to pursue additional State and Federal funds.

Next Steps

- Steps must continue to be followed in order and as scheduled
- Toll rate setting is critical path
- Items to be completed for January 2013 construction start include:
 - City Council consideration of City-State Agreement – *tonight*
 - Credit rating agency presentations – *August*
 - Construction bids due – *August 30*
 - Commonwealth Transportation Board approval of contract – *October 17*
 - Work Session and Non-Planning Public Hearing item to consider Master Indenture, Supplemental Indentures, and Amended City-VDOT Financial Agreement – *October 23*
 - Bond and VTIB closing – *November*
 - Contract award – *November*
 - Groundbreaking ceremony – *December*
 - Construction start – *January 2013*
 - Construction completion – *early 2017*

Bainbridge Boulevard/Dominion Lakes Interchange



Great Bridge Boulevard Interchange

