

**Dominion Boulevard Improvements with Toll System
VDOT Initial Financial Plan
February 1, 2016**

2016 Annual Update

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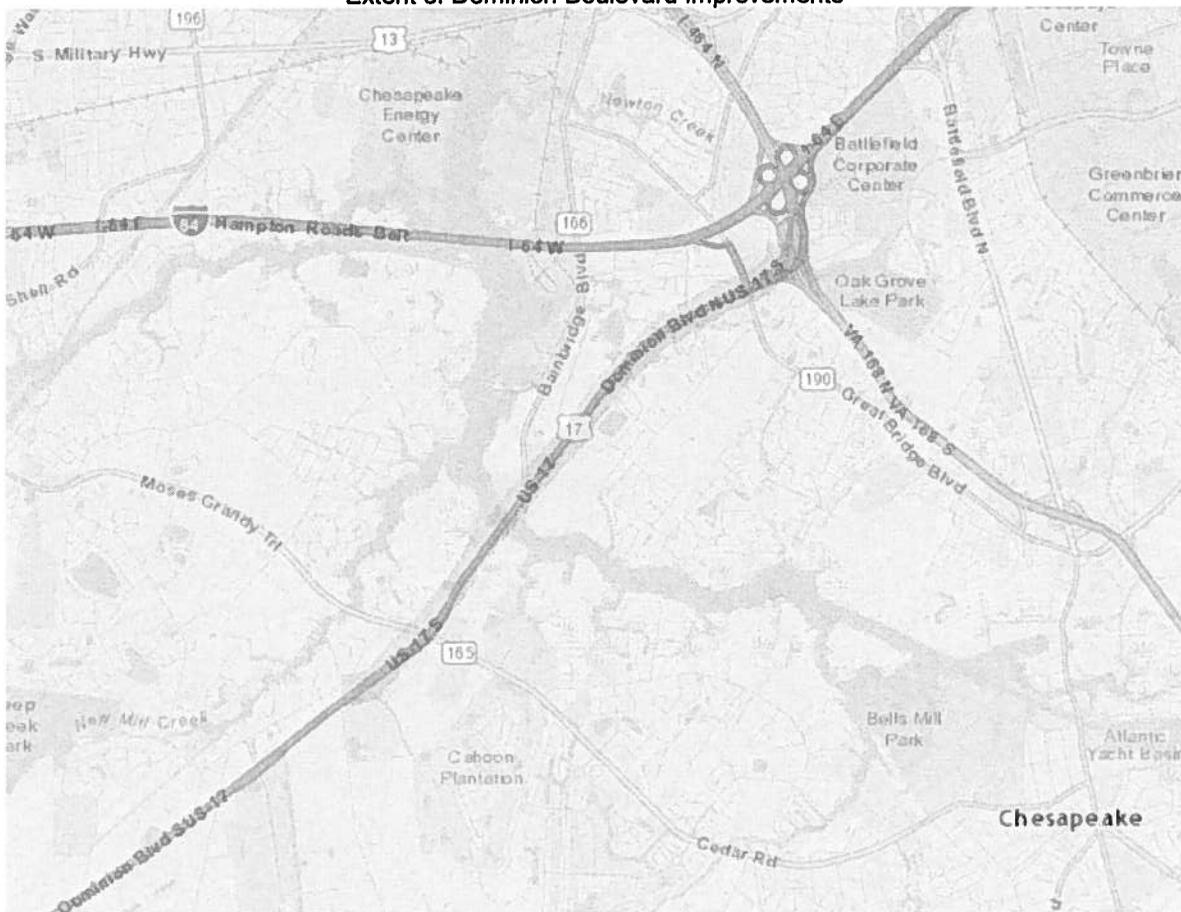
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Section 1 – Summary

Project Description

The Dominion Boulevard Project [State Project (FO) 6017-131-109, PE101, RW201, C501, C502, B608-B616, D-608, Federal Aid Project No. STP-104-5(001) and HPP-0017-5] involves bridge and roadway improvements along Dominion Boulevard between I-64/464 and Cedar Road. The existing corridor is primarily a two-lane arterial highway with a bridge (referred to locally as the "Steel Bridge") over the Atlantic Intracoastal Waterway/Southern Branch of the Elizabeth River that requires frequent bridge openings due to a substandard height. The proposed project would replace the Steel Bridge and convert Dominion Boulevard into a 4-lane tolled freeway for the full length of the 3.8 mile corridor, and construct interchanges at Great Bridge Boulevard, relocated Bainbridge Boulevard, and Cedar Road.

Extent of Dominion Boulevard Improvements



Funding of the project is proposed to come from a system of toll facilities that includes Dominion Boulevard and the Chesapeake Expressway revenues. On October 26, 2010 Chesapeake City Council created by resolution the Chesapeake Transportation System (CTS) comprised of the Chesapeake Expressway and Dominion Boulevard. The new toll facility of this system, Dominion Boulevard, will be operated as 100% Open Road Tolling (ORT), and thus ORT collection equipment will be added to the facility.

Project Background

The need for improvements to Dominion Boulevard has been recognized for years, as it was included in the City of Chesapeake's 1990 Master Road Plan and the Hampton Roads 2015 Regional Transportation Plan. The City of Chesapeake now considers this project as its top transportation priority. Four primary reasons have been provided for the need of the project:

1. The substandard bridge height (12') of the "Steel Bridge" results in frequent bridge openings,
2. Public safety response times for emergency medical services, Fire and Police services have reached critical points,
3. Increasing traffic volumes that are expected to continue to increase from their current ADT of 29,200 to 44,100 by 2036, and
4. Traffic safety concerns

Planning for the project began in early 2000, and a number of key steps have followed. Preparations for construction and operation of the facility have been ongoing for over a decade. Technical project development activities have included:

- Executed the VDOT/City of Chesapeake Project Administration Agreement in 2003
- Selected a design consultant and initiated preliminary engineering in April 2004
- Conducted a Citizen's Information meeting on October 12, 2006
- Conducted a Location & Design Public Hearing on September 17, 2008
- Received Commonwealth Transportation Board Approval on February 5, 2009
- Received a FONSI from FHWA on March 18, 2009
- Initiated Right of Way acquisition in November 2010
- Completed design in December 2010
- Completed Project bid documents in September 2011

In addition to technical activities, significant effort has been expended to date on developing a financial plan for the project. These steps include:

- Began development of a plan of finance in 2008
- Began development of Operation and Maintenance plan and costs estimates in October 2010
- Began development of Preliminary Traffic and Revenue Studies for Dominion Boulevard and the Chesapeake Expressway in 2010 and 2011.
- Submitted an application for funding through the Virginia Transportation Infrastructure Bank (VTIB) December 2011
- VTIB loan in the amount of \$152M approved by the Commonwealth Transportation Board January 2012

Current Activities

Under contract and oversight by the Virginia Department of Transportation (VDOT), and coordination with the Federal Highway Administration (FHWA), the City of Chesapeake has managed preliminary engineering and right-of-way. Right of Way acquisition is completed and impacted 193 parcels and caused 25 displacements (17 residential and 8 commercial). Construction contracts were bid in September 2012 and contract awarded November 15, 2012. Construction Notice to Proceed was January 7, 2013.

The northbound bridge over the Elizabeth River (#609) has been completed and two-way traffic has been temporarily diverted over this bridge while the old bascule bridge is demolished to make way for the southbound bridge (#608). Demolition of old bridge is nearly complete. Additionally bridges #610, 611, and 616 have been completed along with approximately 70% of associated roadway and MSE walls.

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The future work plan includes additional technical and financial steps that are needed to complete the project. These include:

- Complete construction of bridges # 608, 612, 613, 641, and 615
- Development, testing, and installation of electronic collection system
- Remainder of approach roadway, MSE walls, ramps, and connector roads
- Complete construction and begin operation of the facility by April 1 2017

Project Schedule

The following chart illustrates the actual or anticipated start and completion dates of the Project elements.

PROJECT IMPLEMENTATION SCHEDULE

<u>Element</u>	<u>Start Date</u>	<u>Completion Date</u>
Preliminary Engineering	04/02/2004	12/31/2010
Right-of-Way	11/01/2010	06/30/2012
Construction	07/01/2012	04/1/2017

Section 2 – Project Cost Estimate

The following table provides the total costs of the Dominion Boulevard Project including contingency funds:

CAPITAL COST EXPENDITURE SCHEDULE							
(\$, Year-of-Expenditure, in thousands)							
	Previous	2012- 2013	2013- 2014	2014- 2015	2015- 2016	2016- 2017	TOTAL
Engineering	\$14,865.1	\$ -	\$ 294.4	\$ -	\$ 929.2	\$ -	\$16,088.8
Construction	-	31,642.1	83,180.4	41,861.3	36,537.8	16,822.4	210,044.0
Admin/Inspection	-	3,064.1	6,321.2	6,588.7	7,289.2	2,022.9	25,286.0
Right of Way	28,621.9	20,667.1	8,641.8	2,326.0	9,110.0	9,110.0	78,476.9
Utilities	-	5,420.1	672.9	486.0	2,072.9	1,036.4	9,688.3
Wetlands	-	358.9	-	-	-	-	358.9
Incentive Clause	-	-	-	-	-	5,000.0	5,000.0
TOTAL	\$43,487.1	\$61,152.2	\$99,110.7	\$51,262.0	\$55,939.2	\$33,991.7	\$344,942.8

The Project budget includes contingencies based on 12% (\$22.6 million) of the construction cost estimate to cover any increases in costs based on quantity fluctuations; steel, fuel, and asphalt adjustments; any Change Orders including differing site conditions or owner requested changes. In addition to this contingency, there are separate contingencies to cover cost increases for each of the following: right of way; inspection and administration; utility relocations; and the maximum allowable incentive payment.

Section 3 – Project Financing

The Table below sets forth the estimated sources and uses of funds, exclusive of accrued interest, in connection with the construction financing of the Dominion Boulevard Project and refunding of the 1999 Bonds.

SOURCES OF FUNDS	
<i>(\$, in thousands)</i>	
Series 2012 Par Amount	\$150,722.5
Net Original Issue Premium	<u>7,823.6</u>
Total Senior Bond Proceeds	\$158,546.1
VTIB Loan	146,737.1*
Previously Allocated Funds for Dominion Blvd Project	90,961.5
Series 1999 Debt Service & Debt Service Reserve Funds	2,713.9
Construction fund interest earnings	<u>208.0</u>
Total Sources	\$399,166.6

USES OF FUNDS	
<i>(\$, in thousands)</i>	
Dominion Blvd Project Costs	344,942.8
Refunding of 1999 Bonds	19,318.5
Issuance Costs	1,851.5
Deposit to Capitalized Interest Fund	19,996.0
Debt Service Reserve Account	<u>13,057.8</u>
Total Uses	\$399,166.6

The estimated sources and uses of funds is based on the Project Costs and Cost Contingencies including Construction Contracts and the assumption that (i) the Dominion Boulevard Project will be completed within the 51 month construction schedule, and (ii) no change orders and no costs overruns will occur with respect to the construction, right of way work and utility relocation work, and the design and oversight services to be provided by VDOT which in total would exceed the aggregate contingency funds available. See "CONSTRUCTION OF THE DOMINION BOULEVARD PROJECT." No assurance can be given, however, that no change orders will be issued or that no cost overruns will occur that will increase the cost or extend the schedule for, construction of the Dominion Boulevard Project.

*The VTIB is to be the last source of funds used for project expenses. Any remaining funds at the end of construction will revert back to the VTIB account. The approved VTIB loan amount is \$151,893,495.

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Section 4 – Cash Flow During Construction

Project Costs Compared to Funding Sources

The table below summarizes the projected cash flow for this project over the 4-year anticipated construction schedule. Expenditures are fully funded by the anticipated bond issuance and VTIB loan.

Comparison of Expenditures to Funding Sources						
	Previous	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
<u>Dominion Blvd. - Phase I</u>						
Engineering	14,865,138	0	294,402	0	929,228	0
Construction	0	31,642,132	83,130,391	41,861,291	36,537,806	16,822,391
Admin/Inspection	0	3,064,013	6,321,176	6,588,740	7,289,245	2,022,884
Right of Way	28,621,946	20,667,064	8,641,810	2,325,971	9,110,033	9,110,034
Utilities	0	5,420,114	672,914	485,955	2,072,857	1,036,429
Wetlands	0	358,873	0	0	0	0
Incentive Clause	0	0	0	0	0	5,000,000
Total	43,487,084	61,152,196	99,110,693	51,261,957	55,939,169	33,991,738
Cumulative Expenditures	43,487,084	104,639,280	203,749,973	255,011,930	310,951,099	344,942,837
Project Fund Draws	43,487,084	26,383,545	6,160,068	978,154	12,000,000	1,952,609
Bond Funds	0	34,768,651	72,475,585	0	0	0
VTIB Funds	0	0	20,475,040	50,283,803	43,939,169	32,039,129
Cumulative Funding	43,487,084	104,639,280	203,749,973	255,011,930	310,951,099	344,942,837
Funding Surplus (Deficit)	0	0	0	0	0	0

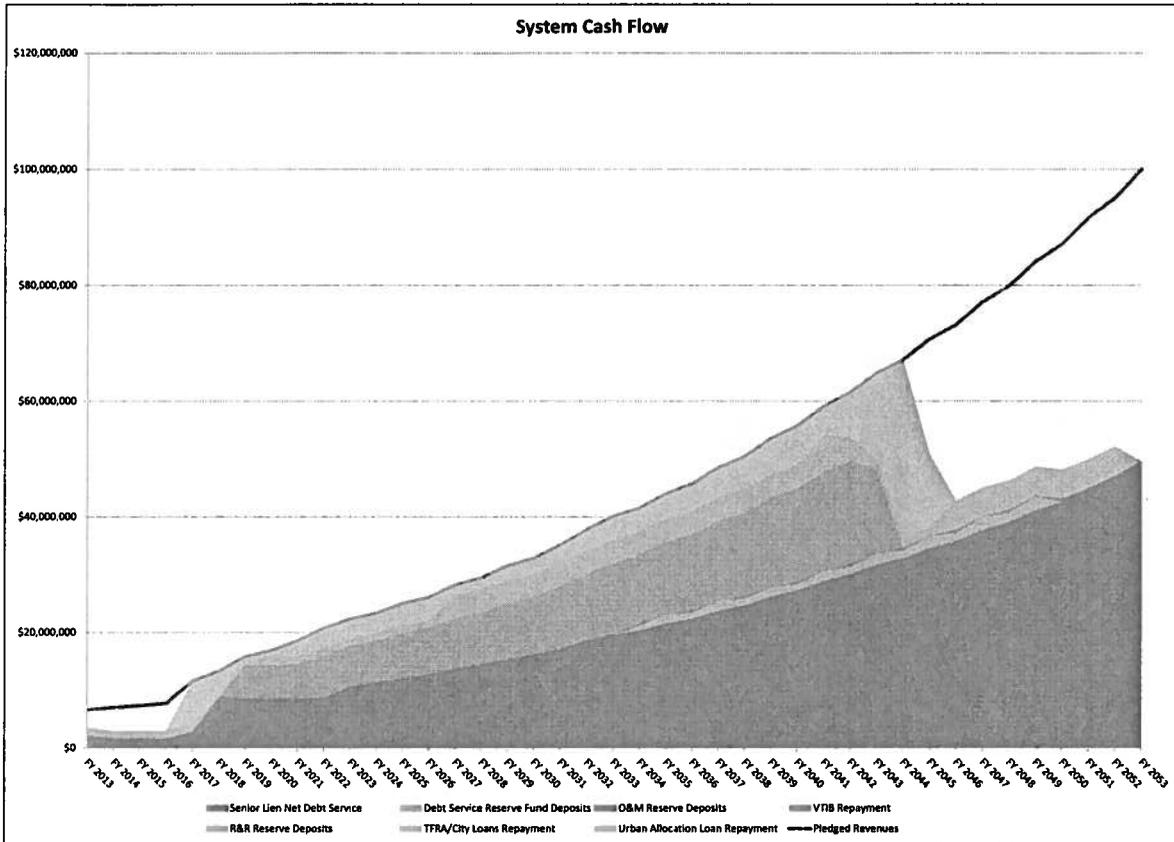
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Toll System Cash Flow

The table and graph below summarize the projected toll system cash flow over the life of the anticipated bond and VTIB loan. Pledged revenues are projected to fully cover all debt service.

Bond Year Ending July 15	Pledged Revenues	Senior Net Debt Service	Excess Revenues	Minimum Principal and Interest Payments on VTIB Bond	Operations Reserve Deposits	Renewal and Replacement Fund Deposits	Additional Principal and Interest Payments on VTIB Bond	Surplus Revenues	VTIB Debt Service Reserve Deposits	Surplus Revenues Less VTIB Debt Service Reserve Fund Deposits	Deposit to Repayment of VDOT TFRS Loan	Deposit to Urban Allocation Account	Deposit to General Reserve Fund
2013	\$ 7,028,113	\$ 477,535	\$ 6,550,579	-	-	\$1,000,000	-	\$ 3,550,579	-	\$ 3,550,579	-	-	\$ 3,550,579
2014	7,379,992	716,302	6,663,691	-	-	3,500,000	-	3,163,691	-	3,163,691	-	-	3,163,691
2015	7,742,936	716,302	7,026,634	-	-	3,500,000	-	3,526,634	\$926,139	2,600,555	-	-	2,600,555
2016	8,285,742	716,302	7,570,440	-	-	3,500,000	-	4,070,440	4,070,440	-	-	-	-
2017	10,171,059	716,302	9,454,757	-	\$595,840	3,500,000	-	5,338,917	5,003,421	335,496	-	-	335,496
2018	13,740,587	5,501,372	8,239,215	-	411,984	3,500,000	-	4,327,051	-	4,327,051	-	-	4,327,051
2019	16,519,587	6,618,222	9,901,365	\$5,781,410	1,471	3,500,000	\$ 618,484	-	-	-	-	-	-
2020	18,525,914	7,415,727	11,110,692	5,781,410	17,952	3,500,000	1,791,330	-	-	-	-	-	-
2021	20,452,753	8,182,822	12,269,931	5,781,410	-	3,500,000	3,988,541	-	-	-	-	-	-
2022	22,103,503	8,847,822	13,255,681	5,781,410	40,874	3,500,000	3,933,296	-	-	-	-	-	-
2023	23,203,616	9,485,322	14,217,294	5,781,410	5,543	3,570,605	4,859,716	-	-	-	-	-	-
2024	24,725,051	9,897,834	14,827,217	5,781,410	114,561	3,570,605	5,260,671	-	-	-	-	-	-
2025	26,462,174	10,025,434	16,436,739	5,781,410	17,686	3,570,605	7,067,039	-	-	-	-	-	-
2026	27,771,807	10,029,434	17,742,372	5,833,100	130,453	3,570,605	8,208,274	-	-	-	-	-	-
2027	29,052,254	10,014,434	19,037,819	5,779,674	18,417	3,570,605	10,548,723	-	-	-	-	-	-
2028	31,217,533	10,891,184	20,327,349	5,779,674	139,076	3,570,605	10,837,994	-	-	-	-	-	-
2029	33,286,251	11,134,659	22,251,601	5,874,064	-	3,570,605	12,806,933	-	-	-	-	-	-
2030	34,725,938	11,064,422	23,661,487	6,072,724	135,592	3,570,605	13,882,566	-	-	-	-	-	-
2031	37,187,041	11,021,484	25,865,557	6,735,150	-	3,570,605	15,557,822	-	-	-	-	-	-
2032	39,512,661	11,495,934	28,016,727	7,273,492	128,809	3,570,605	17,043,871	-	-	-	-	-	-
2033	41,749,608	11,604,839	30,144,773	7,915,127	16,389	5,743,305	16,409,987	-	-	-	-	-	-
2034	43,159,841	11,463,783	31,679,176	1,100,151	190,811	5,743,305	-	24,644,930	-	24,644,930	\$24,644,930	-	-
2035	55,548,480	11,568,641	43,982,439	-	26,713	5,743,305	-	38,212,421	-	38,212,421	-	\$ 5,707,871	-
2036	47,300,342	11,423,291	35,877,051	-	200,297	5,743,305	-	29,733,449	-	29,733,449	-	3,117,026	-
2037	50,941,467	11,594,716	39,346,752	-	18,107	5,743,305	-	32,681,340	-	32,681,340	-	-	29,564,314
2038	51,991,359	11,531,472	40,460,887	-	208,719	5,743,305	-	34,517,875	-	34,517,875	-	-	34,517,875
2039	55,106,798	11,682,772	43,424,017	-	19,459	5,743,305	-	37,763,253	-	37,763,253	-	-	37,763,253
2040	57,182,117	11,605,428	45,776,689	-	212,304	5,743,305	-	39,820,880	-	39,820,880	-	-	39,820,880
2041	59,345,117	10,849,822	48,495,195	-	21,552	5,743,305	-	41,370,338	-	41,370,338	-	-	41,370,338
2042	63,014,786	11,517,422	51,497,364	-	216,149	5,743,305	-	46,137,910	-	46,137,910	-	-	46,137,910
2043	67,691,582	12,732,422	54,959,160	-	14,193	5,876,604	-	49,067,563	-	49,067,563	-	-	49,067,563
2044	70,691,187	12,783,172	57,908,015	-	229,616	5,876,604	-	51,799,795	-	51,799,795	-	-	51,799,795
2045	75,173,695	12,811,422	62,362,273	-	19,039	5,876,604	-	56,448,629	-	56,448,629	-	-	56,448,629
2046	78,605,306	12,883,172	65,722,134	-	244,020	5,876,604	-	59,605,010	-	59,605,010	-	-	59,605,010
2047	81,601,212	12,967,111	70,636,101	-	23,389	5,876,604	-	64,735,908	-	64,735,908	-	-	64,735,908

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Cash Flow Summary

The toll facility cash flows were prepared consistent with the existing Chesapeake Expressway toll revenue bonds indenture flow of funds. The cash flows incorporate toll revenues, senior lien debt service, subordinate loan (VTIB) repayments, O&M expenses, R&R costs, and various reserve funds. In addition to the new senior lien bonds and a 2nd tier VTIB loan, the cash flows incorporate the City's existing Chesapeake Expressway debt including the parity senior lien Series 1999A Bonds, the 3rd tier VDOT TFRA Loan and City Contribution, and the 4th tier Urban Allocation Loan. The Chesapeake Transportation System (CTS), comprised of the Chesapeake Expressway and Dominion Boulevard, is projected to generate sufficient net revenue for repayment of all obligations of the system.

Section 5 – Future Updates

Any required adjustments to the cost estimate will be computed in a manner consistent with the methodology established in the Initial Financial Plan. The Initial Financial Plan will be updated each year as of February. The updates will be submitted by the following January 25. Therefore the next annual update will be due on or before January 25, 2017.