

**Dominion Boulevard Improvements with Toll System
VDOT Initial Financial Plan
February 1, 2012**

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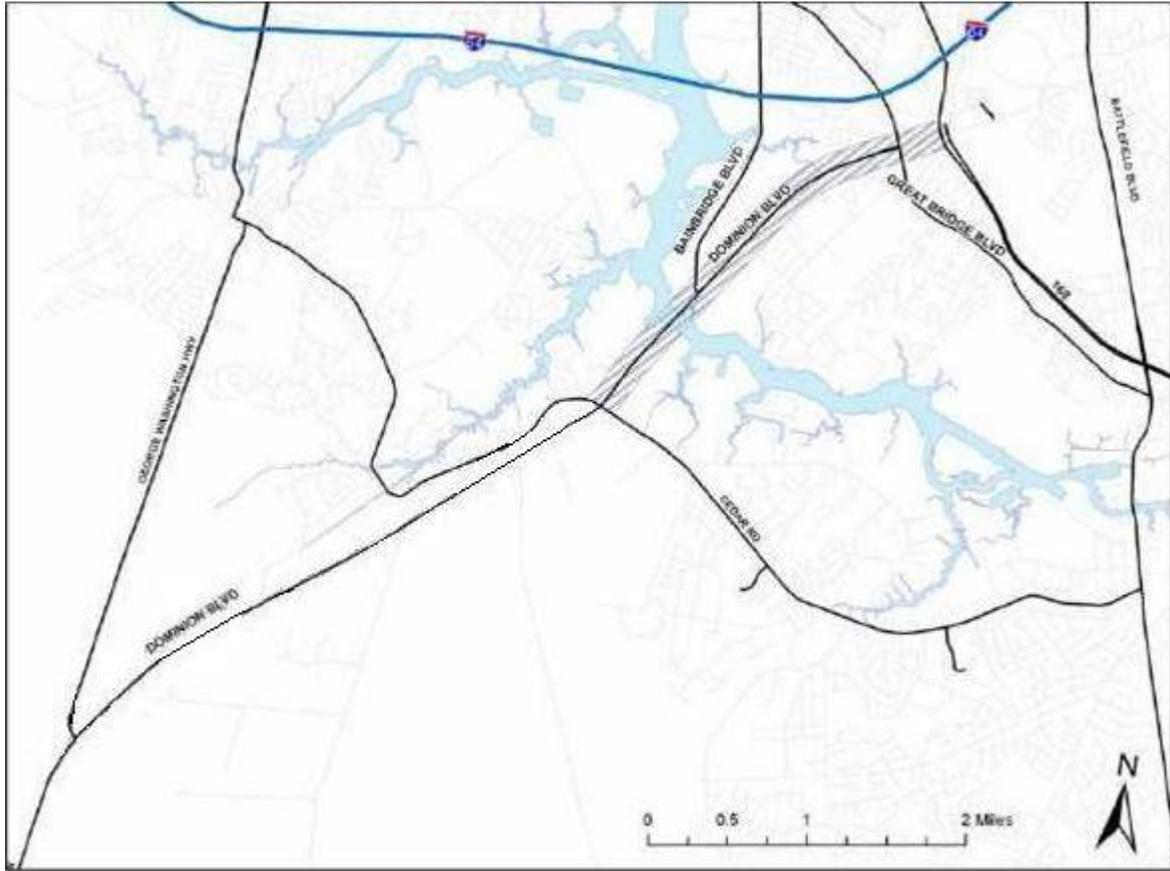
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Section 1 – Summary

Project Description

The Dominion Boulevard Project [State Project (FO) 6017-131-109, PE101, RW201, C501, B608, 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 41,200 by 2030, 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 the Project is at the 100% design stage. Right of Way acquisition is underway and is expected to impact 193 parcels and cause 25 displacements (17 residential and 8 commercial). All of the residential relocations have been completed.

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

- U.S. Coast Guard permit – February/March 2012
- Select a consultant to assist with Construction Engineering & Inspection by March 2012
- Complete Right of Way acquisition by April 2012
- Complete Traffic and Revenue Studies – April 2012
- Revise City/State Agreement
- Toll rate public hearing by the Chesapeake Transportation Toll Facility Advisory Committee – May/June 2012
- Advertise for construction bids by July 2012
- Receive Ratings for Senior Toll Road Revenue Bonds – July 2012
- Sell revenue bonds – October 2012

- Financial close – November 2012
- Award a construction contract by December 2012
- Complete construction and begin operation of the facility in 2016

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	04/30/2012
Construction	07/01/2012	06/30/2016

Section 2 – Project Cost Estimate

We have prepared the schedule of capital costs based on cost information produced by Parsons Brinckerhoff and schedule estimates based on the City of Chesapeake's experience. The estimated expenditure schedule assumes that the Project will start in 2012 and complete in 2016. We converted construction costs into year-of-expenditure dollars using a 4% inflation rate, and have included a 10% construction cost contingency. The table below presents the year-of-expenditure cost schedule.

CAPITAL COST EXPENDITURE SCHEDULE							
(\$, Year-of-Expenditure, in thousands)							
	Previous	2011- 2012	2012- 2013	2013- 2014	2014- 2015	2015- 2016	TOTAL
Engineering	15,470.6	-	-	-	-	-	15,470.6
Construction	-	-	71,106.8	73,951.0	76,909.1	83,106.4	305,073.3
Admin/Inspection	-	446.3	5,802.1	6,034.2	6,275.5	6,238.7	24,796.9
Right of Way	15,054.7	30,109.4	15,656.9	-	-	-	60,820.9
Utilities	-	1,980.0	2,059.2	-	-	-	4,039.2
Wetlands	-	<u>750.0</u>	<u>780.0</u>	-	-	-	<u>1,530.0</u>
TOTAL	<u>30,525.3</u>	<u>33,285.7</u>	<u>95,404.9</u>	<u>79,985.2</u>	<u>83,184.6</u>	<u>89,345.1</u>	<u>411,730.9</u>

Section 3 – Project Financing

Steer Davies Gleave (SDG), the City's Traffic & Revenue Consultant, supported by Parsons Brinckerhoff (PB), is completing a draft Traffic and Revenue study and developing operating cost estimates. PB, using information provided by and in consultation with the City of Chesapeake, has developed a schedule of capital costs for the Project. BB&T Capital Markets and PFM, the City's Financial Advisors, have completed a preliminary plan of finance for the Project using the traffic and revenue and engineering inputs. The preliminary plan of finance determines that a toll system financing composed of the existing Chesapeake Expressway and the Dominion Boulevard/U.S. 17 facilities could support the improvements to Dominion as previously described. In all cases the toll system financing would apply to those tolled portions of these facilities, which in aggregate under this approach would comprise the "system".

The estimated sources and uses of capital/construction funds are summarized below.

SOURCES OF FUNDS	
<i>(\$, in thousands)</i>	
Senior Toll Revenue Bonds – Tax-exempt Current Interest Bonds	131,780.0
Senior Toll Revenue Bonds – Tax-exempt Capital Appreciation Bonds	<u>96,097.7</u>
Total Senior Bond Proceeds	227,877.7
VTIB Loan	151,893.5
Previously Allocated Funds for Dominion Blvd Project	55,803.0
Regional Surface Transportation Program (RSTP) Funds	25,179.1
Reallocated Funds from Mt. Pleasant Widening	4,823.0
Construction fund interest earnings	<u>2,623.9</u>
Total Sources	468,200.2
USES OF FUNDS	
<i>(\$, in thousands)</i>	
Total Project Costs	411,730.9
Toll Revenue Bonds Capitalized Interest (net deposit)	30,681.7
Toll Revenue Bonds Debt Service Reserve Fund	22,787.8
Underwriters' Discount	1,499.8
Other Costs of Issuance	<u>1,500.0</u>
Total Uses	468,200.2

The City would issue approximately \$228 million of system toll revenue bonds under the existing Chesapeake Expressway bond indenture of trust and enterprise accounting framework. These bonds, like the existing 1999A Bonds, would be non-recourse to the City. These bonds along with a proposed \$152 million VTIB loan and \$85 million of other committed funds would be sufficient to fund the project.

The use of a VTIB loan as subordinate financing may require a change to the flow of funds for the Chesapeake Expressway bonds, and will require a revision to the Comprehensive Agreement with VDOT.

Section 4 – Cash Flow During Construction

Project Costs Compared to Funding Sources

Dominion Boulevard Improvements with Toll System
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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.

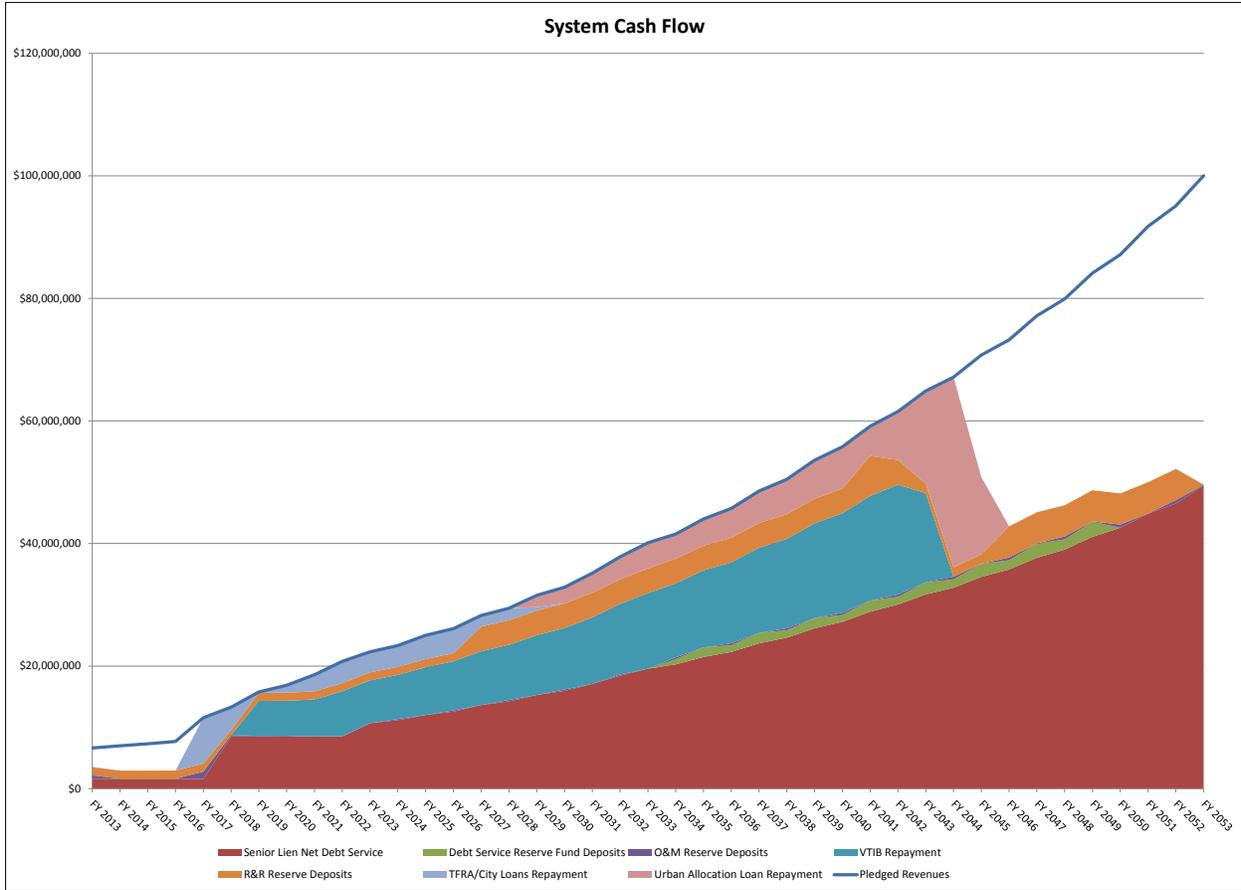
Comparison of Expenditures to Funding Sources						
	Projected FY 2010	Projected FY 2011	Projected FY 2012	Projected FY 2013	Projected FY 2014	Projected FY 2015
<u>Dominion Blvd. - Phase I</u>						
Construction	0	22,891,496	48,072,143	75,713,624	79,499,304	27,824,757
Construction Admin/Insp.	0	2,777,285	5,832,298	9,185,870	9,645,164	3,375,807
Right-of-Way	21,068,775	51,618,499	0	0	0	0
Utility	0	4,584,195	0	0	0	0
Wetlands	0	1,736,438	0	0	0	0
Signs & Signals	0	0	0	0	913,385	0
Toll Collection Facilities	0	0	0	1,454,961	3,055,418	3,208,189
Total	21,068,775	83,607,912	53,904,441	86,354,455	93,113,271	34,408,753
Cumulative Expenditures	21,068,775	104,676,687	158,581,128	244,935,583	338,048,854	372,457,607
Project Fund Draws	14,116,079	56,017,301	36,115,975	57,857,485	62,385,892	23,053,864
TIFIA Disbursements	6,952,696	27,590,611	17,788,465	28,496,970	30,727,380	11,354,888
Cumulative Funding	21,068,775	104,676,687	158,581,128	244,935,583	338,048,854	372,457,607
Funding Surplus (Deficit)	0	0	0	0	0	0

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.

**Dominion Boulevard Improvements with Toll System
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Period	Pledged Revenues	Less: Senior Net Debt Service	Revenues Less Net Debt Service	Less: Ongoing DSRF Deposit	Equals: Excess Revenues	Less: O&M Reserve Deposits	Less: Sub Net DS Repayment	Less: R & R Reserve Deposits	Equals: Surplus Revenues	Less: Deposit to Repayment of TFRA/City Loans	Less: Deposit to Repayment of UA Loan	Equals: Deposit to General Reserve
F.Y.												
7/1/2012												
FY 2013	6,649,153	(1,590,844)	5,058,309		5,058,309	(591,200)		(1,316,660)	3,150,450			3,150,450
FY 2014	6,988,241	(1,586,453)	5,401,788		5,401,788	(43,820)		(1,316,660)	4,041,308			4,041,308
FY 2015	7,331,699	(1,585,516)	5,746,183		5,746,183	(46,205)		(1,316,660)	4,383,319			4,383,319
FY 2016	7,692,842	(1,587,750)	6,105,092		6,105,092	(49,006)		(1,316,660)	4,739,426			4,739,426
FY 2017	11,586,409	(1,583,156)	10,003,253		10,003,253	(1,207,100)		(1,316,660)	7,479,493	(7,479,493)		
FY 2018	13,307,625	(8,517,940)	4,789,684		4,789,684	(249,571)		(816,660)	3,723,454			
FY 2019	15,785,178	(8,514,269)	7,270,909		7,270,909	(105,294)	(5,700,587)	(1,316,660)	148,368			(148,368)
FY 2020	16,871,910	(8,513,487)	8,358,423		8,358,423	(126,769)	(5,700,587)	(1,316,660)	1,214,407			(1,214,407)
FY 2021	18,596,084	(8,510,456)	10,085,628		10,085,628		(6,051,377)	(1,316,660)	2,717,591			(2,717,591)
FY 2022	20,782,886	(8,510,034)	12,272,852		12,272,852	(68,864)	(7,322,393)	(1,316,660)	3,564,935			(3,564,935)
FY 2023	22,324,604	(10,674,437)	11,650,167		11,650,167	(520)	(6,989,788)	(1,316,660)	3,343,199			(3,343,199)
FY 2024	23,337,014	(11,180,642)	12,156,372		12,156,372	(202,160)	(7,172,527)	(1,316,660)	3,465,025			(3,465,025)
FY 2025	25,016,858	(12,020,563)	12,996,294		12,996,294	(6,545)	(7,793,850)	(1,316,660)	3,879,240			(3,879,240)
FY 2026	26,123,262	(12,573,766)	13,549,496		13,549,496	(208,965)	(8,004,319)	(1,316,660)	4,019,553			(4,019,553)
FY 2027	28,268,726	(13,646,498)	14,622,228		14,622,228	(868)	(8,772,816)	(4,022,724)	1,825,820			(1,825,820)
FY 2028	29,450,063	(14,237,166)	15,212,897		15,212,897	(251,298)	(8,976,959)	(4,022,724)	1,961,916			(1,961,916)
FY 2029	31,545,312	(15,284,791)	16,260,521		16,260,521		(9,756,313)	(4,022,724)	2,481,485			(567,025)
FY 2030	32,872,485	(15,948,377)	16,924,108		16,924,108	(254,363)	(10,001,847)	(4,022,724)	2,645,174			(2,645,174)
FY 2031	35,165,534	(17,094,901)	18,070,632		18,070,632		(10,842,379)	(4,022,724)	3,205,529			(3,205,529)
FY 2032	37,831,710	(18,427,989)	19,403,720		19,403,720	(208,229)	(11,517,295)	(4,022,724)	3,655,473			(3,655,473)
FY 2033	40,126,649	(19,575,459)	20,551,190		20,551,190		(12,330,714)	(4,022,724)	4,197,752			(4,197,752)
FY 2034	41,537,417	(20,272,349)	21,265,069	(849,467)	20,415,602	(307,686)	(12,064,749)	(4,022,724)	4,020,442			(4,020,442)
FY 2035	44,009,791	(21,484,455)	22,525,336	(1,558,583)	20,966,753		(12,580,052)	(4,022,724)	4,363,977			(4,363,977)
FY 2036	45,719,382	(22,312,857)	23,406,525	(1,080,753)	22,325,771	(321,869)	(13,202,341)	(4,022,724)	4,778,837			(4,778,837)
FY 2037	48,570,299	(23,710,548)	24,859,751	(1,696,022)	23,163,729		(13,898,237)	(4,022,724)	5,242,768			(5,242,768)
FY 2038	50,485,468	(24,639,184)	25,846,284	(1,198,776)	24,647,508	(334,685)	(14,587,693)	(4,022,724)	5,702,405			(5,702,405)
FY 2039	53,602,634	(26,169,060)	27,433,574	(1,671,950)	25,761,623		(15,456,974)	(4,022,724)	6,281,925			(6,281,925)
FY 2040	55,764,141	(27,221,826)	28,542,315	(1,126,802)	27,415,513	(354,896)	(16,236,370)	(4,022,724)	6,801,523			(6,801,523)
FY 2041	59,156,184	(28,888,484)	30,267,700	(1,809,559)	28,458,141	(4,216)	(17,072,355)	(6,522,724)	4,858,846			(4,858,846)
FY 2042	61,553,736	(30,056,574)	31,496,982	(1,241,015)	30,255,967	(390,952)	(17,919,009)	(4,022,724)	7,923,282			(7,923,282)
FY 2043	64,897,637	(31,696,706)	33,200,931	(1,958,877)	31,242,055	(16,146)	(14,552,938)	(1,542,253)	15,130,717			(15,130,717)
FY 2044	67,151,241	(32,790,258)	34,360,982	(1,366,049)	32,994,933	(428,416)		(1,542,253)	31,024,265			(31,024,265)
FY 2045	70,770,359	(34,564,948)	36,205,411	(2,120,918)	34,084,493	(24,198)		(1,542,253)	32,518,042			(32,518,042)
FY 2046	73,252,389	(35,769,725)	37,482,664	(1,502,896)	35,979,768	(456,392)		(5,082,402)	30,440,974			(30,440,974)
FY 2047	77,170,142	(37,690,605)	39,479,538	(2,296,788)	37,182,750	(33,287)		(5,082,402)	32,067,061			(32,067,061)
FY 2048	79,902,240	(39,017,043)	40,885,197	(1,664,295)	39,220,903	(486,381)		(5,082,402)	33,652,119			(33,652,119)
FY 2049	84,144,076	(41,096,557)	43,047,519	(2,476,033)	40,571,486	(43,522)		(5,082,402)	35,445,562			(35,445,562)
FY 2050	87,149,868	(42,574,693)	44,575,175		44,575,175	(518,543)		(5,082,402)	38,974,230			(38,974,230)
FY 2051	91,743,443	(44,871,481)	46,871,963		46,871,963	(55,023)		(5,082,402)	41,734,537			(41,734,537)
FY 2052	95,072,033	(46,535,775)	48,536,257		48,536,257	(545,279)		(5,082,402)	42,908,576			(42,908,576)
FY 2053	100,024,098	(49,511,929)	50,512,170		50,512,170	(75,692)			50,436,477			(50,436,477)
	1,809,330,821	(872,039,732)	937,291,090	(25,618,782)	911,672,307	(8,017,961)	(274,504,471)	(125,000,394)	504,149,481	(37,910,027)	(124,326,424)	341,913,030



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 25. The updates will be submitted by the following March 25. Therefore the first annual update will be due on or before March 25, 2013.