



COMMONWEALTH of VIRGINIA

Office of the

SECRETARY of TRANSPORTATION

Virginia Transportation Infrastructure Bank Advisory Panel Recommendation Route 17/Dominion Boulevard Project

Commonwealth Transportation Board
Deputy Secretary David Tyeryar
January 18, 2012



Route 17/Dominion Boulevard Project

City of Chesapeake

- The City submitted an application on December 2, 2011 requesting a loan of \$151,893,495, with a subsidized interest rate of 3% from the Bank.
- Total cost estimate of \$411.7 million
- The project is partially funded in the current Six Year Improvement Program
- Senior lien toll revenue bonds are intended to be sold to finance the project.
- The City has requested the VTIB loan to finance the remaining amount needed to advance this project.
- Financial close projected for August 2012.
 - VTIB funds projected for use in 2015 and 2016.

Project Eligibility and Screening Criteria

- **The application and the City meet the Bank's Mandatory Criteria.**
 - **The City is an Eligible Borrower under the Act.**
 - Meets respective definitions of Governmental Entity and Locality.
 - **The Project is a local transportation priority.**
 - Cover letter indicates it is City Council's number one transportation project.
- **Based on the VTIB Screening and Scoring Criteria, the City's application scored 30 out of 37 total possible points by VDOT and VRA staff.**
 - **Application states Project could not be undertaken without VTIB assistance.**
 - **VTIB loan assistance will represent over 30% of the total project financing.**
 - **Project improves air quality, safety and enhances the state transportation network.**

Preliminary Sources and Uses

SOURCES OF FUNDS

(in thousands)

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

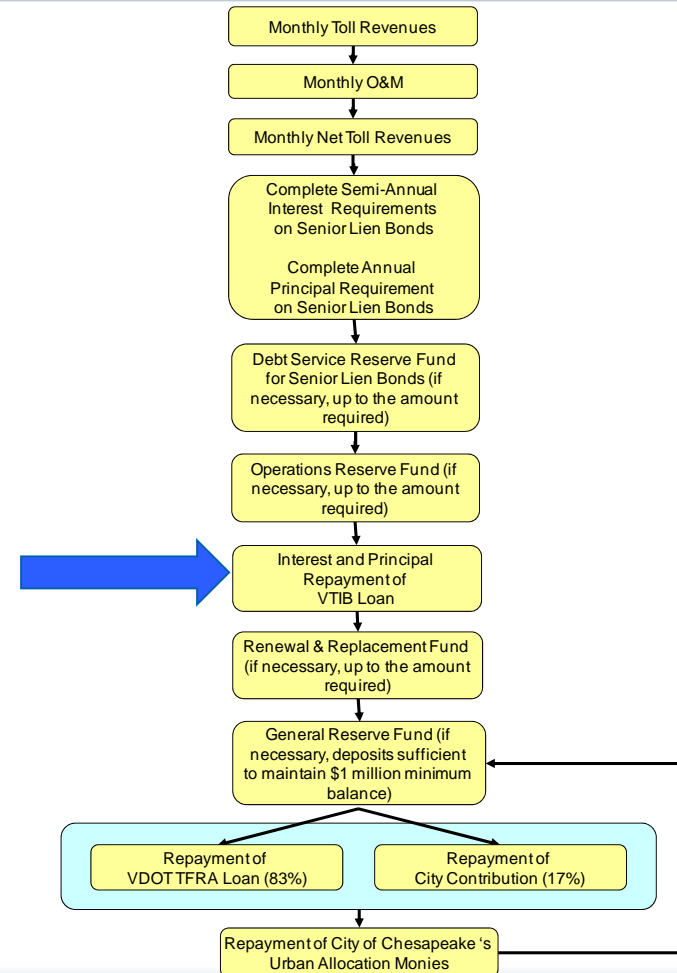
USES OF FUNDS

(in thousands)

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

Preliminary Security Structure

- Toll System includes Chesapeake Expressway and Dominion Boulevard
- Senior Lien Bonds secured by all Receipts consisting primarily of Net Toll Revenues (based on T&R Forecast)
- Virginia Transportation Infrastructure Bank loan secured by a junior pledge of Receipts, but ahead of subordinate repayment of the VDOT TFRA/City Contribution and Urban Allocation Loan
- Additional security provided via reserve funds



Advisory Panel Recommendation

- **The Advisory Panel recommends the CTB approve the loan request.**
- **Project meets the objective of the VTIB funding**
 - **Project has an adequate Plan of Finance**
 - **Project could not be fully financed through traditional markets as the junior lien loan would be considered non-investment grade**
- **VTIB Loan**
 - **Amount up to \$152 million**
 - **Up to 35 years after substantial completion**
 - **Standard rate rather than application request**
 - Requested special rate of 3.0%
 - Rate based on interest rate methodology for VTIB
 - Locked in at 3.33% based on AAA GO MMD scale on Wednesday, January 11, 2012, one week prior to the CTB meeting
 - Finance plan supports the standard interest rate
 - **Upon CTB approval, explore specific loan terms to be determined as loan schedule and documents are finalized**

Next Steps

Beyond the “numbers,” there are other items of importance which will need to be covered as part of the final credit process:

- **Assess potential loan terms as loan schedule and documents are finalized – seeking best financial option for VTIB assistance**
- **Obtaining investment grade rating on planned senior toll revenue bonds**
- **A “investment grade” traffic & revenue report to confirm the estimated toll revenues**
- **A consulting engineer’s report, including the attributes of construction and a detailed construction cost estimate**
- **Various project agreements relating to funding, in particular any agreement that sets forth the VDOT loan as well as a revised City-State Agreement with respect to the outstanding Chesapeake Expressway loans**
- **A draft revised bond Master Trust Agreement for this project**

Future Project Milestones

- **U.S. Coast Guard permit – February 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 – July/August 2012**
- **Financial close – August 2012**
- **Award a construction contract by September 2012**
- **Complete construction and begin operation of the facility in 2016**