



Midtown Tunnel Project

Updated Finance Plan Supplement

June 2015

For the year ending December 31, 2014

1. **Project**

Overview

The Downtown Tunnel/Midtown Tunnel/MLK Extension Project located in the cities of Portsmouth and Norfolk, Virginia (“Project”) includes (i) the development, design, construction, operation, maintenance, and tolling of a new two-lane immersed tube tunnel adjacent to the existing Midtown Tunnel; (ii) the development, design, construction, operation, maintenance, and tolling of the four-lane limited access extension of the Martin Luther King Freeway in Portsmouth, Virginia; (iii) the rehabilitation, operation, maintenance, and tolling of the existing Midtown Tunnel; (iv) the rehabilitation, operation, maintenance, and tolling of the existing Downtown Tunnel; and (v) the installation of an all-electronic tolling system that is compatible with the regional tolling network.

Comprehensive Agreement

The Project is being undertaken pursuant to a Comprehensive Agreement by and between Elizabeth River Crossings Opco LLC (“ERC”) and the Virginia Department of Transportation (“VDOT”), whereby VDOT has granted ERC the exclusive right to (i) finance, develop, design, construct, manage, operate, and maintain the Project and (ii) establish, impose, charge, collect, use, and enforce payment of tolls and related charges. The Comprehensive Agreement (“CA”) commenced on December 5, 2011, and will remain in effect for 58 years from the financial close date (April 13, 2012), subject to extension or early termination in accordance with the CA.

Environmental Review Process

The approved environmental documents for the Project are shown in Table 1-1 below. Pursuant to the terms of the CA, ERC must comply with all environmental documents. ERC is responsible for all costs and delays associated with updates to the environmental documents required as a result of changes to ERC’s design which are not directed by VDOT.

Table 1-1 – Environmental Documents

Document	Status
Downtown Tunnels National Fire Protection Association work	Programmatic Categorical Exclusion (5/13/09)
Midtown Tunnel National Fire Protection Association work	Programmatic Categorical Exclusion (5/13/09)
Rt. 58/Midtown Tunnel (Pinners Point)	Final Environmental Impact Statement (11/8/96) and Record of Decision (3/17/97) Revised Record of Decision (7/9/07)
Martin Luther King Freeway Extension	Environmental Assessment (4/7/08) Revised Environmental Assessment/Finding of No Significant Impact (2/26/09)
Downtown Tunnel/Midtown Tunnel/Martin Luther King Freeway Extension Project	Environmental Assessment (Reevaluation) (3/24/11) /Finding of No Significant Impact (8/1/11)
Brambleton Interchange ITS	Programmatic Categorical Exclusion (5/22/09)

Public-Private Partnership

The Project is being undertaken as a public-private partnership, pursuant to the Public-Private Transportation Act of 1995 (Va. Code §§ 56-556 *et seq.*) (“PPTA”). In enacting the PPTA, Virginia’s General Assembly found that there is a public need for the timely development and/or operation of qualifying transportation facilities and that such public need may not be satisfied by existing procurement methods (Va. Code § 56-558). The PPTA enables VDOT to leverage investment by the private sector in developing qualifying transportation facilities. Under the PPTA, VDOT and its private partners can use a wide range of sources to finance projects, including revenues generated by user fees, debt, equity, or other securities (Va. Code §§ 56-565 and 56-567.1).

In electing to pursue a public-private partnership for the Project, VDOT determined that the levels of state and federal funds available were insufficient to enable VDOT to procure the Project in a reasonable timeframe using traditional project delivery methods. A public-private partnership would enable VDOT to leverage limited state and federal funds using private financing (including equity and debt) to fund development of the Project. In addition, the technical complexities of the Project, which include construction of approximately 4,100 feet of immersed tube tunnel and the operation of an all electronic, open-road toll collection system,

created significant opportunities for VDOT to take advantage of private sector innovation and to transfer significant risk to the private sector.¹

As discussed in more detail below, the sources of funding for VDOT's contribution to the Project include GARVEE bond proceeds. In 2011, the General Assembly enacted legislation as part of Governor McDonnell's transportation plan that included a revolving authorization for the issuance of GARVEE bonds (with no more than \$1.2 billion in bonds to be outstanding at any time). The Commonwealth Transportation Board issued the first series of GARVEE bonds in January 2012 in order to meet VDOT's funding commitment for the Project.

2. Purpose of Updated Finance Plan Supplement

Pursuant to the terms of the TIFIA loan agreement, ERC is to provide annual updates to the Project's plan of finance. The ERC update to the Project's plan of finance is dated November 30, 2014 ("ERC Updated Finance Plan"). The purpose of this supplement is to provide further details regarding the Project costs for which VDOT is responsible.

3. VDOT's Funding Obligation for the Project

VDOT's estimated obligation was approximately \$362,000,000. At financial close, VDOT's obligation was set at \$308,605,000 pursuant to the adjustment protocol set out in the CA. Following financial close, VDOT's estimated obligation increased by \$112,500,000 as a result of VDOT exercising its right, in accordance with Amendment 1 to the CA dated March 21, 2012, ("CA Amendment 1") to postpone the commencement of the imposition and collection of tolls on the existing Midtown Tunnel and existing Downtown Tunnel until January 31, 2014.

Additionally, VDOT's obligation increased by \$82,542,000 in accordance with Amendment 3 to the CA ("CA Amendment 3") dated January 15, 2014. VDOT is contributing additional funding for construction costs as the Concessionaire has agreed to reduce the maximum transponder toll rates on the Existing Project Assets for the period from the commencement of tolls (February 1, 2014) until December 31, 2016 or earlier if substantial completion of the New Project Assets is achieved. Of the amount to be provided, \$25,295,962 is anticipated to be from GARVEE funding. As of FY 2015, VDOT has executed Task Order Funding for the purpose of paying outstanding contractual requirements as per identified in the CA for Construction Contract Change Orders totaling \$8,000,000. The total for VDOT's contribution to the Project currently is \$511,647,000 (the "Public Funds Amount").

¹ The Commonwealth substantially revised its PPTA Implementation Manual and Guidelines in December 2010. The revised guidelines describe in detail the Commonwealth's approach to selecting projects for delivery as public-private partnerships. In addition to considering factors such as the levels of funding available for a project, the project's potential to generate revenues, and the technical complexity of the project (as described above), the revised guidelines call for the use of a value-for-money analysis further assess the business case for pursuing a public-private partnership structure.

VDOT’s contribution, including the \$112,500,000 increase related to CA Amendment 1 and the \$82,542,000 related to CA Amendment 3, will be used to support design and construction work.² The sources of funding for VDOT’s contribution include GARVEE bond proceeds, state maintenance funds, Priority Transportation Fund (PTF) funding (state funding), NHPP Statewide funds, Federal NHS – Interstate, Bond Proceeds funds, and funds advanced from the Commonwealth’s Toll Facilities Revolving Account (“TFRA”). Funds advanced from the TFRA will be repaid with future allocations of state maintenance funds.

Table 3-1 shows the sources of funding for VDOT’s contribution to the Project. The UPCs shown below relate to federal project 965-5(079). VDOT’s detailed estimate for the federal project is attached as Appendix 1.

Table 3-1 – VDOT Contribution

UPC	TFRA	State Maintenance*	GARVEE	PTF	Grand Total
101851 – Primary Construction					
PE	\$5,489,590		\$147,944,324		\$153,433,914
ROW	\$381,549	\$9,700,000	\$15,520,000		25,601,549
CN	\$2,960,711		\$249,072,759	\$55,528,657	307,562,127
101860					
Toll Gantries-Primary **					
PE		\$1,940,000			1,940,000
101852 – Interstate Construction					
PE	\$197,179		\$4,548,200		4,745,379
ROW			\$791,800		791,800
CN	\$75,971	\$300,000	\$7,418,879	\$1,717,381	9,512,231
101861					
Toll Gantries-Interstate**					
PE		\$60,000			60,000
Current Subtotal	\$9,105,000	\$12,000,000	\$425,295,962***	\$57,246,038	\$503,647,000

² VDOT’s contribution to the Project can only be used to fund activities that are eligible for reimbursement from federal-aid funds. See CA Exhibit M.

UPC	TFRA	State Maintenance*	GARVEE	PTF	Grand Total
Original Finance Plan	\$9,105,000	\$12,000,000	\$400,000,000	\$ -	\$421,105,000
2013 Update	\$9,105,000	\$12,000,000	\$425,295,962	\$57,246,038	\$503,647,000
Difference – 2013 to Current	-	-	-	-	-

Table 3-1 Continued – VDOT Contribution

UPC	NHPP Statewide	NHPP Statewide 80/20 Soft Match	Federal NHS Interstate	Interstate NHS Soft Match	NHS State Match	Bond Proceeds-Capital Projects Revenue	Grand Total
105900-ERC Task Funding							
CN	\$5,539,653	\$1,384,913	\$803,756	\$142,324	\$58,615	\$70,739	\$8,000,000
Subtotal							\$8,000,000
Grand Total							\$511,647,000

**State maintenance funds include dollars allocated to the Hampton Roads District for the operations and maintenance of the Midtown Tunnel and Downtown Tunnel.*

***Work related to toll gantries began in accordance with Amendment 1 to the Interim Agreement, which was prior to federal authorization for construction. As such, that work is being paid for with state funding.*

****Of the total GARVEE funds shown, VDOT has “advance constructed” \$277,673,000 in accordance with the federal-aid project agreement.*

The following table outlines the current federal projects that are committed to the debt service obligations of the Project.

GARVEE Debt Service Federal Projects

Federal Project	Federal Funds	Amount
9655(078) – Interstate Debt Service	L050	\$408,257.00
	L050 – Advance Construction	-
	L05E	936,448.00
	L05E – Advance Construction	10,031,916.65
	M001	1,872,929.35
	M001 – Advance Construction	-
9655(077) – Primary Debt Service	L050	7,906,999.00
	L050 – Advance Construction	-
	L20E	4,808,576.00
	L20E – Advance Construction	-
	L24E	-
	L24E – Advance Construction	324,365,326.22
	LZ20	484,724.00
	LZ20 – Advance Construction	-
	LZ2E	30,278,479.00
	LZ2E – Advance Construction	-
	M0E1	30,278,593.78
	M001	30,279,439.00
	M001 – Advance Construction	-
TOTAL		\$441,651,688.00

Note: The Federal Project Agreements have been modified to convert Advance Construction for the debt service commitments. To date, \$3,217,634.35 was converted under agreement 9655(078) and \$104,036,810.78 was converted under agreement 9655(077). This conversion process is outlined in the Memorandum of Agreement by and among Federal Highway Administration, Commonwealth Transportation Board, and the Virginia Department of Transportation for the Stewardship and Oversight of Debt Service Projects.

The funding for VDOT’s contribution is allocated in VDOT’s 2015-2020 Six-Year Improvement Program (“SYIP”). The Commonwealth Transportation Board (“CTB”) approved VDOT’s 2015-2020 SYIP on June 19, 2014.

VDOT anticipates use of the Public Funds Amount will proceed in accordance with the disbursement schedule shown in Table 3-3 (amounts may not add due to rounding). This table has been updated to reflect actual and projected activity. Additional details, including disbursements by month, are set forth in the ERC Updated Finance Plan.

Table 3-3 – Public Funds Amount Disbursement Schedule

Date	Amount (000s) Actual and Projected
2012	\$208,617
2013	\$179,271
2014	\$60,659
2015	\$39,340
2016	\$18,499
2017	\$5,261
Total	\$511,647

4. Funding for Project Risks

During the cost estimate review process, the Federal Highway Administration (“FHWA”) identified risks that could result in additional payments being owed by VDOT should those risks occur during the construction of the Project.³ Those risks, and the suggested contingency for each risk identified by the cost estimate review team, are listed in Table 4-1.

Table 4-1 – Cost Estimate Review (CER) Review Risks

Risk	Description	Estimated Costs at financial close and execution of the CA	Estimated Costs 12/31/2014
Aggregate risks	Aggregate of less significant risks that have been allocated to VDOT	\$2.5 million	There are no additional anticipated aggregate risks at this time

³ The FHWA Cost Estimate Review report concludes that there is a 70th percentile level of confidence that design-build costs for the Project will not exceed \$1.693 billion. The difference in costs shown in the FHWA Cost Estimate Review report and the ERC Updated Finance Plan likely is due to assumptions made by the VDOT-FHWA team during the cost estimate review process (which was completed in advance of VDOT and ERC finalizing commercial terms and the design-build price). For example, during that exercise the VDOT-FHWA team modeled oversight costs of approximately \$112 million (which included, among other things, administrative expenses incurred during the project development process up to financial close and costs related to development of the tolling system). Those assumed costs do not necessarily correlate to a single line items shown in the ERC Updated Finance Plan (e.g., the approximately \$11.1 million shown for ERC construction oversight costs).

Risk	Description	Estimated Costs at financial close and execution of the CA	Estimated Costs 12/31/2014
Rehabilitation work	Additional costs associated with unanticipated rehabilitation work	Risk Assessment \$15 million Anticipated	Risk assessment \$5 million
Fuel price adjustment	VDOT bears the risk for the price per gallon for off-road diesel fuel in excess of \$3.50 per gallon	\$9.7 million is the current anticipated risk	\$1.79 million is the current anticipated risk estimate
Utility relocations	Additional costs associated with project-wide utility relocations	\$10 million	There is no anticipated risk associated with Utility relocations as the utilities are 100% relocated
Right of way (“ROW”) acquisition work	Increased costs for damages such as business relocations and condemnations	\$1.4 million	\$0.4 million is the current anticipated risk assessment
Oversight costs	VDOT responsible for construction oversight	\$0 million	There is not additional Oversight cost risk to the department at this time.

The Commonwealth Transportation Board (CTB) is responsible for allocating the necessary construction funds to projects. The CTB allocates funding to projects through a rolling six-year planning process to support the funding of selected construction projects. By July 1 of each year, the CTB is required to approve an annual budget and a six-year improvement program (“SYIP”). During the year, the CTB may transfer funding between projects as needed and as those risks occur. In anticipation of potential change orders, as needed, funding for a contingency was included in the FY 2015-2020 SYIP.

VDOT elected not to fund the original contingency’s listed above to address the risks described in Table 4-1 at the time of financial close and signing of the CA. In FY15, VDOT created a contingency UPC (UPC 105900) for the purpose of paying outstanding contractual requirements as identified in the CA for Construction Contract Change Orders. The CTB has approved the additional funding; the STIP and TIP were amended to include the contingency UPC. The UPC has been fully funded. As of December 31, 2014, VDOT has executed 8 Contract Change Order that have totaled \$4,334,900.

In addition, VDOT also has the right under the CA to direct ERC to explore financing damages stemming from Compensation Events (CA § 14.01(d)) via adjustments to the toll rate schedule and/or extensions of the term. This provides VDOT with another option for funding project risks. As described in more detail below, VDOT also has mitigated the likelihood that it will be exposed to costs due to the risks identified in Table 4-1 via the structure of the CA. Oversight costs are discussed below in the section entitled “Funding for VDOT Oversight Costs.”

Rehabilitation Work

ERC is solely responsible for up to \$5 million of unanticipated rehabilitation work (CA § 8.11(c)).⁴ Any unanticipated rehabilitation work must exceed this \$5 million threshold before VDOT participates in any costs. Rehabilitation work is currently 95% complete in the WBDTT and approximately 40% complete in the EBDTT, further reducing the need for VDOT to allocate any additional funds beyond the construction contingency UPC (UPC 105900) at this time.

Fuel Price Adjustment

ERC may make a claim to VDOT if the price per gallon for off-road diesel fuel red dye #2 exceeds \$3.50 per gallon.⁵ VDOT is entitled to payment from ERC if the price per gallon is below \$3.50. VDOT’s liability (and benefit) for changes in the price of fuel is capped at \$9.4 million. The current risk to the Department related to the fuel price adjustment mechanism within the CA has been greatly diminished.

The current calendar year ending as of December 31, 2014, which the contract fiscal year states the maximum Department risk is estimated at \$1,787,369. The current and short term price of diesel fuel is likely to continue to be in VDOT’s favor over the next few months further minimizing the risk to the Department. VDOT will continue to monitor fuel price trends and currently projects the construction contingency UPC established is sufficient to accommodate those potential risks to the Department.

Utility Relocations

ERC is to provide all utility relocation work as part of the lump sum design-build price. ERC has completed 99% of the utility relocation work necessary to successfully complete the construction of the project. Specifically, ERC may make a claim for 50% of cost impacts related to delays in relocation work to be performed by utilities. However with almost all utility relocation completed, the VDOT risk associated or currently assigned to utility relocations has largely been overcome by events.

⁴ VDOT is responsible for unanticipated rehabilitation work costing between \$5 million and \$20 million. For work that costs in excess of \$20 million, VDOT and ERC are to collaborate on potential funding solutions, including having ERC finance the cost of such work. See CA § CA 8.11(c) (ii) and (iii).

⁵ The process and timing for determining amounts due as a result of the fuel price adjustment risk allocated are described in CA Exhibit S.

ERC cannot bring a claim unless the delay impacts the critical path of the construction schedule, all utilities and the MLK expressway is the asset within the project. All utility relocations in the MLK expressway corridor have been totally relocated at this time. VDOT is comfortable that no contingency for risks related to utility relocations is needed at this time given the limited scope of the risk allocated to VDOT.

ROW Acquisition

The CA includes a provision that allocates the risk and benefit of fluctuations to the expected ROW acquisition costs. ERC is solely responsible for increases up to 10% of ROW acquisition costs (as compared to a baseline ROW acquisition cost estimate) (CA § 8.05(d)).

ERC is entitled to keep all of the cost savings if ROW acquisition costs are less than 10% than the estimate.⁶ VDOT does not believe an additional contingency is necessary at this time given that ERC bears the risk of cost overruns up to 10% of the baseline Row acquisition cost estimate. To date the ROW paid 98% of the B3 schedule as listed in the CA.

This means the ROW cost would have to exceed \$1,159,099.00 of the baseline schedule before VDOT is at risk of cost sharing. As of December 31, 2014, our projections indicate the total ROW cost should not exceed 110% of the baseline schedule in the CA.

VDOT is responsible for certain ROW acquisition costs related to property owned by railroads (CA§ 8.05(f)). VDOT estimates this work will cost approximately \$6,765,795 (VDOT provided FHWA with an estimate for this work prior to financial close) and has programmed funding as part of its Project oversight budget (this estimate is shown as “child projects” to the interstate and primary oversight projects UPC 103458 and UPC 103459 and is included in federal agreement 965-5(057)). ROW acquisition costs are 90% complete as of December 31, 2014 and total is unlikely to exceed the programmed cost for Railroad associated expenses.

Railroad ROW acquisitions work continue and are expected to be completed by 2014. There are two (2) impacted properties and both are associated with construction of the MLK Expressway Extension. These are known on the project as the Pond 19 Relocation and the Vulcan Relocation. The Vulcan Relocation is now 100% complete and Pond 19 is 80% constructed minimizing any further risk attributable to the Department.

Railroad Force Account

In addition, the Railroad property acquisition discussed above there will be expenditures associated with the repayment for the Railroads with regards to flagging and needed incidentals to the bridge crossing over Norfolk Portsmouth Belt Line (NPBL) and the new MLK Expressway over CSX Railroad. This activity will also be performed under UPCs 103458 and 103459. To date, \$1,098,974.25 has been paid to NPBL and CSX Railroad for railroad flagging operations.

⁶ The CA sets out a similar risk sharing arrangement for cost overruns and savings beyond 10%. See CA § 8.05(d).

Hazardous Substances

In addition to the risks described in Table 4-1, FHWA has asked VDOT to describe the risk allocation for hazardous substances. ERC is responsible for managing, disposing, and remediating all hazardous substances encountered on the Project right-of-way (CA § 16.01(a)). For hazardous substances defined in the CA as known Pre-Existing Hazardous Substances, ERC also is responsible for the costs associated with management, disposal, and remediation.⁷ For hazardous substances that do not qualify as Known Pre-Existing Hazardous Substances, ERC is entitled to seek reimbursement from VDOT for its costs incurred in performing the management, disposal, and remediation work and schedule relief (CA § 16.02(a)).⁸

VDOT has not elected to fund a contingency to address the risk associated with the discovery of “unknown” hazardous substances because that risk has been mitigated via the hazardous substances investigation performed under the Interim Agreement and the risk allocation as between VDOT and ERC. The work performed under the Interim Agreement led to the development of the known “Pre-Existing Hazardous Substances Report.”

The report provides a comprehensive assessment of potential trouble spots within the construction area. The risk allocation as between VDOT and ERC bars them from making a claim for work related to hazardous substances identified in the report or hazardous substances.

ERC should have been knowledgeable about the results presented in the report when making claims. The scope of the report, combined with the “should have known standard” presents a high burden of proof for any claim, further protecting VDOT from potential financial risk exposure.

5. Change Orders

As of December 31, 2014, there have been eight executed Change Orders between VDOT and ERC associated with the Comprehensive Agreement. There was also an agreement between VDOT and the City of Norfolk to complete a waterline betterment costing approximately \$1.7 million for which the City has paid VDOT. The receipt of \$1,700,000.00 from the City of Norfolk and the payment of \$1,700,000.00 to ERC have been fully executed.

The following change orders were executed during the 2014 calendar year:

⁷ The CA defines pre-existing hazardous substances to include hazardous substances identified in the “Known Pre-Existing Hazardous Substances Report” (CA Exhibit Q), hazardous substances ERC should have known were present as a result of the “Known Pre-Existing Hazardous Substances Report,” and hazardous substances which were actually known by ERC to be present within the Project right-of-way at the time the CA was executed (see CA Exhibit A).

⁸ Note, ERC is not entitled to make a claim for a Compensation Event. Rather, ERC only is entitled to a reimbursement of its actual costs incurred.

- CO-6, CO-9, and CO-13 – These change orders all dealt with repayment associated with the fluctuation of fuel rates related to the Fuel Price Adjustment since the beginning of the Project as noted in the previous Project Risk section. While the change order covering 8/1/12 to 3/31/14 was a payment to ERC of \$863,794 representing a fuel rate above the baseline rate, the most recent change order for the period covering 4/1/14 to 10/31/14 was a credit back to VDOT reflecting the trend of decreasing fuel prices that is anticipated to carry over into 2015. These change orders were fully executed with 80% federal participation.
- CO-6 – This change order reflected the VDOT directive that limited weekend full closures of the Westbound Downtown Tunnel during rehabilitation. The negotiated cost was \$2,048,573 which included additional maintenance of traffic costs, lost productivity, and additional overhead. This change order was fully executed with 80% federal participation.
- CO-12 – This change order was a lump sum resolution of several long-standing project issues with a total value of \$1,557,926. This change order was fully executed with 80% federal participation.
- CO-14 – This change order restricted work on a weekend in December 2014, and to offset this impact, authorized work on a weekend that was previously restricted in January 2015. This change order was fully executed as a no cost change order.

UPC 105900 was included in the Revised Final Six-Year Improvement Program (SYIP) FY 2015-2020 with an estimate and allocations totaling \$8 million. These funds were available July 1, 2014 with the Commonwealth Transportation Board (CTB) adoption of the SYIP on June 18, 2014. The \$8 million will cover the costs of the executed change orders noted above and the fuel adjustments for the duration of the project. Any additional change orders to be negotiated will be paid from this UPC as funds are allocated. A summary of all executed change orders on the Project through December 31, 2014 are presented in the following table.

Executed Change Orders

Change Order	Amount
CO-1 - OCIP Premiums (No financial impact)	\$0
CO-2 – Adoption of 2011 VA Work Area Protection Manual (No financial impact)	\$0
CO-5 – Fuel Adjustment 8/1/12 – 3/31/14	\$863,794
CO-6 – Westbound Lane Closure Downtown Tunnel	\$2,048,573
CO-9 – OPIS Fuel Factor Alternative (No financial Impact)	\$0
CO-12 – Lump Sum Resolution of Multiple Outstanding Items	\$1,557,926
CO-13 – Fuel Adjustment 4/1/14 – 10/31/14	(\$139,496)
CO-14 – Allowable Tunnel Closure Weekends Dec 2014 and January 2015 (No financial Impact)	\$0
Total through December 31, 2014	\$4,330,797

Potential Change Orders

There are several change orders that are anticipated in 2015 that cover several anticipated scope changes and Department directives. These include resolving a work restriction at the EB DTT in December 2014 (\$63,000), a work restriction at EB DTT in March 2014 (\$17,000), and additional corrosion protection of the pedestrian bridge (\$27,000). As discussed previously, monthly fuel price adjustment change orders will be executed, with the anticipation that these will be Department credits given the recent fuel rate trends.

VDOT will also request a price proposal from the Concessionaire for integration of ITS devices associated with preemption during a Berkley Bridge lift into the DYNAC system. The potential cost of this work is approximately \$1,000,000, and will need to be further evaluated prior to execution of a change order.

A change order is also anticipated to reconcile costs associated with the rehabilitation of the Eastbound and Westbound Downtown Tunnels. It is not anticipated that a cost will be associated with this change order; it will be executed merely to track costs against authorized Excess Rehabilitation.

There are funds available in UPC 105900 to fully cover the known potential change orders.

6. Funding for VDOT Oversight

VDOT estimates its oversight costs to be \$65,347,200 (excluding costs for ROW acquisition work for property owned by railroads and the change order funding). Those costs include the VDOT staff time and staff augmentation resources needed to oversee ERC's design and construction work from financial close until final acceptance of the construction work (expected in 2018). Funding for oversight costs is provided through a combination of federal and state funds, including: "Minimum Guarantee," "National Highway System," "Surface Transportation Program," "Primary Formula," "National Highway Performance Program" and bonds.

VDOT will review its oversight budget annually to assess whether oversight activities are in line with expected costs. Based on the current financial review, additional funding will not be required if all estimates hold as projected. VDOT has managed this line item in the budget closely since the project's financial close. As of December 31, 2014, the oversight costs are running less than the contractual obligation with Southeastern Transportation Partners (STP), the entity that provides engineering support services to VDOT. Below is Table 6.1 Construction Oversight and provides estimated and actual project data regarding this element of the project. The estimates are provided based on spending by VDOT project management and by STP. VDOT anticipates completing allocation adjustments to better reflect the estimated cost to complete the project in the coming months. The data provided below is based on past history and current project status.

Table 6.1 Construction Oversight

Annual Work Plan	Amount (in millions)					
	Budget		Actual Expenditures		Estimated Spending Activity	
	VDOT Project Management	STP Project Management	VDOT Project Management	STP Project Management	VDOT Project Management	STP Project Management
Period 1 (1/2011-6/2011)	\$1.5	\$1.5	\$0.2	\$0.2	\$ -	\$ -
Period 2 (7/2011-6/2012)	2.2	3.6	1.9	1.9	-	-
Period 3 (7/2012-6/2013)	3.5	6.0	4.2	4.2	-	-
Period 4 (7/2013-6/2014)	3.5	10.0	4.4	4.4	-	-
Period 5 (7/2014-6/2015)	3.5	10.0	2.9	2.9	5.6	10.0
Period 6 (7/2015-6/2016)	3.5	7.0			5.9	7.0
Period 7 (7/2016-6/2017)	2.0	5.0			2.2	5.0
Period 8 (7/2017-6/2018)	1.5	1.0			1.4	1.0
Total	\$21.2	\$44.1	\$13.6	\$13.6	\$15.1	\$23.0
Total Budget, Expenditures, Estimated Spending		\$65.3		\$27.2		\$38.1

Federal commitments to this project are outlined in the federal agreement 965-5(057). The federal agreement includes components of project development, oversight and Right-of-Way.

Obligation Summary

Federal Aid Project Modification, Project 965-5(057) – Hampton Roads PPTA Midtown Tunnel Corridor & Martin Luther King Freeway Extension – PPTA project development & Management and ROW

Fund	Obligation	Federal Share	Advance Construction	Estimated Total of Project
L01R INTERSTATE MAINT RE.	\$197,257	90%	\$1,567,118	\$1,960,416
L050 NHS- NATL HIGHWAY SYS NHS	124,829	80%	-	156,036
L05E NHS- NATL HIGHWAY SYS S-LU EXT NHS	6,860,896	100%	6,400,540	13,261,436
L240 SURFACE TRANSPORTATION FLEX STP/FLEX	-		7,125,795	7,215,795
L24E SURFACE TRANS FLEX S-LU EXT STP/FLEX	6,344,298	100%	21,509,669	33,231,384
LZ2E EQ BONUS SPEC LIM S-LU EXT EB/MG	21,515,171	80%	-	26,893,964
M0E1	7,636,187	100%	-	7,636,187
M240	-		291,050	363,813
TOTAL	\$42,678,638		\$36,894,172	\$90,678,638

7. **Tolling of the Project**

Based on VDOT's review, it has concluded that all revenues received from the operation of the Facility were used first for the operating costs of the project as described in the project's Cooperative Agreement. VDOT also reviewed a report of the independent auditor of the financial statements of Elizabeth River Crossings, LLC (ERC). VDOT has not found any concerns with the tolling data and revenues shown in ERC's plan.

ERC adequately discusses issues with E-ZPass penetration in the area and increased violation processing costs that have become necessary.

8. **Finance Plan Updates**

ERC is to provide the TIFIA lender with annual updates to the finance plan until the TIFIA loan is repaid. VDOT will provide updates to this supplement (until completion of construction) in conjunction with ERC's updates to the finance plan.

Appendix 1

Detailed Estimate

(See attached)