## 9. MISCELLANEOUS

A. ANNUAL REPORT - BLACKWATER REGIONAL LIBRARY

Attached for your reference, please find a copy of the latest annual report for the Blackwater Regional Library.

B. NOTICE OF 4-H POSITION VACANCY

Attached for your reference please find correspondence I received earlier this week from Neil Clark relative to the recent resignation of Terry Patterson as 4-H Coordinator for Southampton and Isle of Wight Counties. He seeks your approval to refill the position.

| | |
|---|---|
| **MOTION REQUIRED:** | **A motion is required to authorize VCE to advertise for the vacant position.** |

C. NOTICES

Attached for your reference please find copies of various notices.

D. INCOMING CORRESPONDENCE

Please find various items of incoming correspondence attached.

E. OUTGOING CORRESPONDENCE

Please find various items of outgoing correspondence attached.

F. ARTICLES OF INTEREST

Please find copies of various newspaper articles attached for your reference.

**Bacon's Rebellion**
Reinventing Virginia for the 21st Century

# CTB Advances $1.4 Billion U.S. 460 Project


**With a new financing plan, the interstate-grade U.S. 460 Connector is a go, as the McDonnell administration touts the highway's economic development potential.**

*by James A. Bacon*

The Commonwealth Transportation Board approved Wednesday the issuance of up to $425 million in tax-free bonds to finance construction of the U.S. 460 Connector between Petersburg and Suffolk in one of the priciest economic development initiatives in Virginia history.

The state will contribute roughly 80% of the cost of the $1.4 billion project with funds funneled through the Virginia Department of Transportation (VDOT) and the Virginia Port Authority. Bonds, to be supported by toll revenues, will pay for the balance of the 55-mile, Interstate-grade highway, which is designed to bolster the competitive position of Virginia's ports and attract large industrial and logistical investments to the U.S. 460 corridor.

Most of Virginia's transportation mega-projects address a congestion crisis, but U.S. 460 represents an opportunity, Aubrey L. Layne, the Hampton Roads district representative, told fellow CTB members. Layne, who has worked behind the scenes for years to bring the project to fruition, described the project as "forward looking." An upgraded U.S. 460 will relieve an overloaded Interstate 64 north of the James River and it will serve as an alternate hurricane evacuation route, but its main purpose is to stimulate economic development. U.S. 460, he said, has great "potential."

"If the governor were here today, he'd say one word: jobs," injected Gary Garczynski, Northern Virginia district representative, later in the meeting. He hopes the U.S. 460 project will provide a model for a north-south outer beltway for Northern Virginia, he added.

"The new Route 460 highway is critical to economic development in this growing region of Virginia," confirmed Governor Bob McDonnell in a prepared statement released shortly after the vote. "The new highway will stimulate business development in the region and accommodate freater freight traffic from the Port of Virginia, benefiting the entire Commonwealth. Chmura Economics estimates that the new highway will have an annual economic impact by 2020 estimated at $7.3 billion."

Although several CTB members pressed McDonnell administration officials for assurances that the state was amply protected in the event of a hypothetical bond default, the board voted unanimously to approve the bond issue.

The main note of skepticism came from Stewart Schwartz, executive director of the Coalition for Smarter Growth. Speaking during the public comment session, he described the administration's approach as a "rush to judgment" on the project, which has received little public scrutiny and review. The case for the highway, he said, was based upon a number of economic assumptions, such as an anticipated jump in container traffic that Hampton Roads will see when a major Panama Canal widening project is complete and the ensuing surge in the number of trucks and tolls on U.S. 460.

Sheppard Miller (left) and Aubrey Layne, representatives from Hampton Roads, chat after the CTB vote on U.S. 460.

Schwartz also questioned whether the state's commitment of between $753 million to $930 million was the optimal use of finite resources. The state has tapped out its borrowing capacity and state funds for new construction is fast eroding. There won't be any more money for mega-projects available for years, he said. In a knowledge-intensive economy in which knowledge workers are increasingly stuck in traffic, he asked, is betting on factories and distribution centers a wise use of money? "Are there better investments you could be making with scarce money? ... If this were your business, would you make the investment?"

**The deal structure**

The McDonnell administration had originally structured the project as a Public Private Partnership in which a private company would invest its own capital and finance the project through the sale of toll-backed bonds. Under proposals submitted by three bidders, tolls would have been prohibitively high and the state would have had to contribute as much as $783 million, by one estimate, to buy them down to a level where people would use the road. Even then, potential private-sector partners were worried that the risk would chase away bond buyers.

Concluding that such an arrangement was not viable, the McDonnell administration recast the deal as a "63-20" nonprofit corporation. The new structure would substitute cheap tax-free bond financing for private-sector equity capital, for which investors expect a far higher return on investment.

After reviewing a second round of proposals, the administration selected 460 Mobility Partners to design and build the project while assuming the risk of delivering the project on budget and on time. VDOT will contribute between $753 million and $930 million, with the exact amount dependent upon the state's ability to obtain low-interest TIFIA financing from the federal government. Another $202 million to $250 million will come from the Virginia Port Authority. And Virginia will create a nonprofit entity, the Route 460 Corridor Funding Corporation of Virginia, to issue an estimated $216 million in tax-exempt bonds, or less than one fifth of the total capital.

The private-sector contribution is so low because 460 Mobility Partners doesn't think the market will absorb any more bonds. One problem with the project is that the administration officials want to build the highway right away -- construction is scheduled to begin in 2014 -- in order to influence giant post-Panamax ships to start making commitments to use the Virginia ports. They see a relatively short window of opportunity for Hampton Roads to capitalize on the fact that it is the only port on the East Coast capable of accomodating the massive vessels. That advantage will erode as competing ports complete major dredging projects. But the anticipated container traffic will take years to build, meaning that toll revenues in early years will be exceedingly low.

Another problem is that the highway will parallel the existing U.S. 460. The highway will provide a straight shot at 70 miles per hour compared to the 55 mph top speed on the existing road punctuated by slower speeds and stoplights at several small towns, thus reducing travel time by about 20 minutes. But if tolls are too high, many travelers will forego the time savings and use the existing road. That competition will create an effective cap on toll rates. VDOT expects to charge $3.69 for cars traveling the full route and $11.72 for trucks.

**Other benefits**

In his presentation to the CTB, VDOT Chief Deputy Director Charlie Kilpatrick cited five reasons why there was a "critical need" for the U.S. 460 Connector. The highway would:

Charlie Kilpatrick

- Reduce vehicular conflicts between local travel and heavy truck traffic on the existing U.S. 460 by building an alternative designed to VDOT standards.
- Provide an alternative route from Hampton Roads in case of hurricane evacuation.
- Accommodagte increasing freight movements, which Interstate 64 cannot handle.
- Support the deployment and preparedness needs of the Department of Defense.
- Create opportunities for jobs and economic development in a part of the state with high unemployment.

Transportation Secretary Sean Connaughton stressed that "the big driver" of the U.S. 460 Connector is the need to provide an alternative to I-64. A VDOT analysis showed that widening the interstate by two lanes from Richmond to the Hampton Roads Bridge Tunnel would cost in the range of $9.6 billion to $10.7 billion. Alternatively, two-laning the interstate to Newport News and building the Patriot's Crossing (sometimes referred to as the Third Crossing) would cost $9.8 billion to $10.4 billion. Likewise, upgrading the existing U.S. 460 to highway standards would entail acquiring expensive right of way in six or so towns along the route and building a parallel road for local traffic. The current plan is the most cost effective, he said.

W. Sheppard Miller III, an urban at-large representative from Norfolk, concurred. Referring to Hampton Road's isolated geography, he said, "We're in a hell of a fix. We're in a cul de sac. We're stuck with a very congested, one way out." To prosper, the region needs a second route out.

CTB members from other regions of the state backed the project. "The localities at the western terminus" -- Petersburg and neighboring jurisdictions -- "are very supportive. This is not just about the Port of Virginia," said Roger Cole, Richmond District Representative.

Despite concerns that "this is the last chunk of money we have to borrow" and that "we're spending every nickle we've got," Mark Peake, Lynchburg District representative, viewed the project as a necessity. Virginia is losing its competitive edge as a state in which to do business, he said, and traffic congestion is the reason.

**No risk to the state**

Administration officials insisted that the deal posed little risk of exposure to the state over its already-significant contribution. Based on an investment-grade traffic and revenue study, bond counsel calculated that projected toll revenues should be more than adequate to cover the debt service. Then two rating agencies insisted upon making even more conservative assumptions.

The project financing includes an $80 million line of credit to draw upon if the traffic doesn't materialize. As a last resort, the Funding Corporation can always raise tolls.

On the brigher side, said Kilpatrick, the state stands to gain up to $600 million in revenue over several decades if the traffic projections do pan out.

Culpeper District representative James Rich said he worried about Virginia borrowing so much money and adopting "the Washington way of doing things." He warned that putting so much money into this one project meant that a lot of other priorities across the state would go unfunded. But in the end, he voted for the project.

==============================================

*This article was made possible by a sponsorship of the Piedmont Environmental Council.*

Richmond Times-Dispatch

Published: October 18, 2012



# To Prince George, toll road a clunker

### By Michael Martz

For Isle of Wight County, a proposed $1.4 billion toll road along U.S. 460 is an economic blessing for a county with its eye on new business related to the Port of Virginia.

But for Prince George County, the 55-mile expressway approved by the state on Wednesday is a bust.

"We consider it somebody else's economic stimulus," said Prince George County Administrator Percy C. Ashcraft. "It isn't ours."

Construction of the toll road is a key link in Gov. Bob McDonnell's plan for boosting traffic at the Port of Virginia and economic development of port-related businesses from Hampton Roads to Richmond, but it hits a speed bump in New Bohemia at the crossroads of existing U.S. 460 and Interstate 295.

The proposed expressway would rejoin the highway at New Bohemia just east of I-295, displacing businesses and homeowners along the way, including the popular Prince George Family Barbecue restaurant.

"The way (the toll road) was designed years ago is not appropriate for what's on the ground today," said Dennis Morris, executive director of the Crater Regional Planning District Commission, who otherwise supports the toll-road project.

Virginia transportation officials say they will work with Prince George leaders, residents and business owners to overcome opposition to the toll road.

"Prince George has made their concerns very clear to us," said Charles Kilpatrick, chief deputy commissioner of the Virginia Department of Transportation.

The contract approved by the Commonwealth Transportation Board on Wednesday directs the department and its contractor, U.S. 460 Mobility Partners, to address concerns about the road's alignment at both ends — in Prince George and Suffolk.

"We're committed to working with Prince George County and other communities along the corridor to deliver a great project that meets the need for moving traffic and also addresses the needs of the communities," Kilpatrick said Wednesday.

But concerned residents and businesses aren't taking any chances. They have hired a Norfolk lawyer who specializes in eminent domain cases to help them protect their properties from being taken or divided for the new road.

"The people there are very, very concerned," said Charles M. Lollar, a principal at Waldo & Lyle in Norfolk.

The concerns go beyond the effect on homes and businesses, said Del. Richard L. Morris, R-Isle of Wight, whose district also includes parts of Prince George, Sussex, and Southampton counties that would be affected by the project.

"I don't think it should dump onto the existing 460," said Morris, who supports the toll road but expects the state to change the design. "It's more than just the property owners. It greatly increases congestion at that interchange."

The reception has been much warmer in Isle of Wight, which hopes the toll road and plans for the port will lead to economic development in the Shirley T. Holland Intermodal Park, a 1,500-acre county-owned industrial park in Windsor.

"The traffic is going to go where it can flow," said Al Casteen, chairman of the Isle of Wight Board of Supervisors. "For our port to be successful, for our intermodal park to be successful, things have got to flow."

Casteen said the new road also would greatly expand emergency evacuation from Hampton Roads in a big hurricane, while giving residents the option of continuing to ride free on the existing U.S. 460. "They have a choice," he said.

The expressway also is driving Sussex County's plans for an economic development "mega site," said Morris at the regional planning commission in Petersburg.

The proposed site near Waverly is aimed at attracting businesses that can take advantage of quicker access to the port, as well as a new economic development grant program that McDonnell narrowly steered through the assembly in April.

Morris said the road also would improve access to the port for some big employers that already have opened facilities in the corridor, such as Rolls-Royce Crosspointe, an aircraft engine manufacturing plant that opened last year on 1,000 acres near the intersection of U.S. 460 and I-295 at New Bohemia.

Rolls-Royce officials aren't sure whether the disputed road alignment at the intersection would affect traffic in and out of the facility. "It's a little premature to say," a company spokesperson said. "We plan to meet internally to go over all the options and try to figure out how they would affect our operation, if at all."

---

http://www2.timesdispatch.com/news/2012/oct/07/tdmet01-schapiro-cuccinelli-sinks-mcdonnells-port-ar-2263593/

Richmond Times-Dispatch

Published: October 07, 2012

Home / news / local /

# Schapiro: Cuccinelli sinks McDonnell's port scheme?

**By Jeff Schapiro**

Attorney General Ken Cuccinelli picks his fights. The fights that he picks make him interesting and difficult to pigeonhole as a red-eyed, right-of-reason conservative. It also makes him dangerous. Just ask his fellow Republican, Gov. Bob McDonnell.

In a little-noticed opinion this past week, Cuccinelli damaged, if not sank, McDonnell's latest attempt to turn over a high-profile government service to the private sector for its profit at public expense.

Stung by his defeat on getting Virginia out of the liquor business, McDonnell is again considering surrendering management of the Port of Hampton Roads to a private company — an idea long resisted by the region's legislators and local officials as a threat to government cash flow.

Cuccinelli's maneuvering on this and other politically sensitive business issues may lead some to question his free-market credentials — more to the point, his professed commitment to getting the bureaucracy out of the way of the corpocracy.

Cuccinelli's failed attempt in federal court to scuttle President Barack Obama's health-care reform program — the AG said it is an impediment to commerce — nonetheless assured the business class that his interests extend beyond the social and cultural; beyond banning abortion, expanding gun rights and blocking anti-discrimination protections for gays.

But Cuccinelli also has given business the business.

Last month, Cuccinelli successfully defended in federal court a state law that restricts the purchase of new medical technology by hospitals, clinics and doctor's offices, and — by extension, opponents say — limits their ability to compete for patients. The so-called certificate-of-need law requires that the state approve such acquisitions, allowing Virginia to control the health care market.

The challenge put Cuccinelli crosswise with a group with which he might otherwise be friendly, the libertarian Institute for Justice. The organization, which on its website displays a plug from a demigod of conservative economic thought, the late Nobel laureate Milton Friedman, filed a lawsuit opposing the Virginia law as — sound familiar? — an impediment to commerce.

On Thursday, at a state energy conference where he would rail against the Obama administration's restrictions on coal-fired generators as — that's right — an impediment to commerce, Cuccinelli said that his stance in the equipment-purchasing case may seem inconsistent.

But Cuccinelli, content to retroactively impose on abortion clinics construction standards that they say are — here it comes again — an impediment to commerce, also said the disputed law is less onerous than it was, having been dramatically dialed back by a Republican legislator.

Party apparently wasn't a factor in Cuccinelli's handling of the port-privatization question. Maybe politics was.

On May 30, McDonnell signed an executive order that appeared to give his transportation secretary, Sean Connaughton, the first and last word on the who, what, when, where and how of port privatization, which proponents claim could generate millions for the chronically underfinanced road program. The order essentially froze out the government agency that runs the vast harbor, the Virginia Port Authority.

That is, until Wednesday.

Cuccinelli, responding to an inquiry from five Hampton Roads legislators in both parties, said that under state law only the port authority can choose a private firm to run its terminals. The agency, however, cannot sign a management agreement without the transportation secretary's approval — and that presumably would follow "appropriate coordination and guidance" from his boss.

That, of course, would be McDonnell, who recently solidified his control of the port authority's governing board by replacing all but one of its members. The purge was driven by McDonnell's concern that the port's post-recession performance is underwhelming. Since 2008, it has reported losses of $10 million to $20 million.

An attorney general's opinion carries the weight of law unless it is reversed by a court decision or a measure passed by the General Assembly and signed by the governor.

Until then, Cuccinelli's edict stands.

It will likely further slow what McDonnell, heading into his final full year in office, apparently envisioned as the big splash in privatization that, largely because of Republican resistance, eluded him on dismantling the state's charmingly quaint and enormously lucrative liquor monopoly.

But the Cuccinelli opinion may also be a message to the governor he is rabid about succeeding, first by defeating McDonnell's hand-picked choice for the Republican nomination, Lt. Gov. Bill Bolling, who is running as McDonnell's mini-me.

Cuccinelli's objective is perhaps more easily accomplished by playing to the fears of Hampton Roads, which still can't figure out why the local boy made good — a former Virginia Beach legislator named Bob McDonnell — wants to sell what the region considers the family silver.

http://www2.timesdispatch.com/news/2012/oct/15/6/carlyle-group-drops-out-of-virginia-port-considera-ar-2284746/

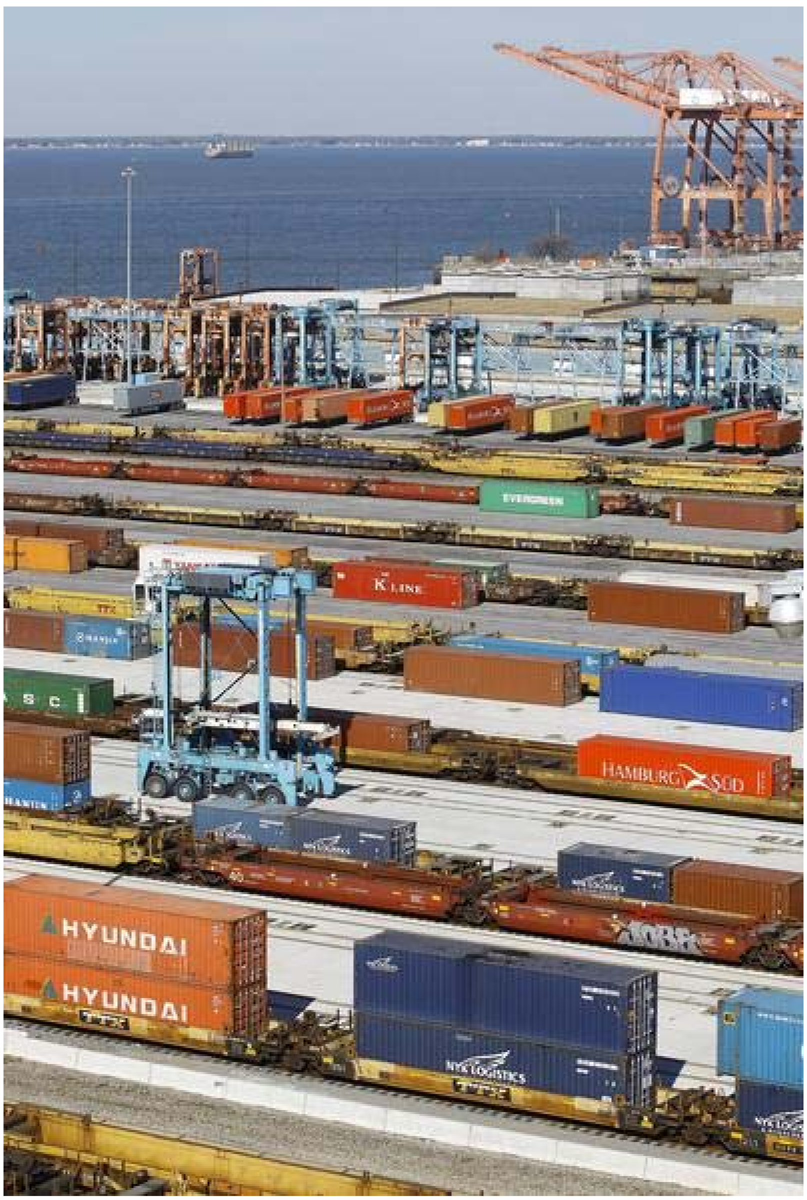
Richmond Times-Dispatch

Published: October 15, 2012
Updated: October 15, 2012 - 10:16 PM

Home / news /

# Virginia's port operations 'financially unsustainable'

**By PETER BACQUÉ**




The operation of Virginia's state-owned port facilities is "financially unsustainable" under its present setup, the state's transportation secretary said Monday.

The state is subsidizing the Virginia Port Authority's port operations by $60 million to $70 million a year, state Transportation Secretary Sean T. Connaughton told the Virginia House Appropriations Committee.

Also Monday, he told the committee that the Carlyle Group, a Washington-based investment group that was one of the four contenders for a concession to operate the state's port system, has dropped out of the competition.

"They don't want to pursue this," Connaughton said.

Much of the committee's discussion related to the port's financial operations.

In a battle of numbers, Virginia International Terminals Inc., the port authority's nonprofit operating company, has "a track record of accomplishment and success," said Charlotte Herndon, the company's chairwoman.

The state's Hampton Roads marine operation has moved from being the nation's 30th-largest port in 1983 to the sixth-largest in the U.S. and third-largest on the East Coast today, she said.

But the Port of Virginia — primarily the state-owned marine terminals in Hampton Roads — is losing ground to New York and Savannah, Ga., among East Coast ports, Connaughton said.

While the port is "a tremendous economic asset for all regions of the commonwealth," Connaughton said, Hampton Roads is one of only two major East Coast ports whose traffic has not recovered to pre-recession volumes.

The Port of Virginia is a major economic generator for the state: Port-related businesses produce an estimated $41 billion a year in revenue and more than 340,000 jobs in the state.

The port suffered net operating losses of $20.5 million in the fiscal year that ended June 30, 2009, $18.5 million in the 2010 fiscal year, $20.0 million in 2011, $10.1 million in 2012, and is budgeted to lose $8.9 million in the current fiscal year, Connaughton said.

The situation is worse than that, one of the companies vying for the privatization deal told the Virginia Senate subcommittees on transportation, economic development and natural resources in Portsmouth on Monday.

Citing port authority budgets, APM Terminals' John Crowley, senior vice president for law and regulatory affairs, said the Port of Virginia's loss was $29.3 million in the fiscal year that ended June 30 and is expected to be $25.5 million in the current fiscal year.

Nonetheless, Virginia International Terminals transferred $88.5 million to the port authority last year, Herndon said, and a total of $820 million since 1983: "This is real money. This is cash coming in."

The state annually allocates 4.2 percent — about $38.5 million this year — of its Commonwealth Transportation Fund to the Virginia Port Authority, which uses it for debt service and maintenance. "They're getting their capital costs for free," said Del. Jimmie Massie, R-Henrico.

"Without question, there is going to be a change," Michael J. Quillen, the port authority's chairman, told the House panel about how the authority operates.

"If we go the way we are, we will see slow, steady growth" in port traffic, Connaughton warned, "but we will be eclipsed by the ports to the north and south."

Detailed proposals for running the port terminals are now due Nov. 1, but that schedule may be extended again to Dec. 3, with the conclusion in the April-May period, Connaughton said.

"All we have right now are conceptual proposals," he said. "The devil's in the details."

"This is probably the single largest asset that the commonwealth of Virginia owns, and 48 years is a long time," Sen.

John Watkins, R-Powhatan, noted at the Portsmouth meeting, referring to the long-term privatization proposals that are being considered.

Sen. Henry L. Marsh III, D-Richmond, said, "All of my localities would be affected by the decision made on this question. It's a complicated situation."

In withdrawing his firm's proposal, Robert W. Dove, the Carlyle Group's managing director, wrote the state, "We believe there is substantial opportunity for economic growth by charting a new course for the terminal operations at the Port of Virginia.

"However, after substantial analysis and deliberation," Dove said, "we have determined that it is in the interests of our partners and investors that we withdraw from the transaction process."

Carlyle had made a proposal for a 48-year concession to operate the state's port system for a net present value of $1.8 billion to $2.1 billion to the Virginia Port Authority.

The other proposers are APM Terminals and RREEF America LLC, a Deutsche Bank subsidiary, and the Virginia Port Authority's Virginia International Terminals.

APM Terminals, a worldwide port operator, proposed a 48-year agreement to operate the state's terminals. The company has said its offer could be worth $3.2 billion to $3.9 billion to the state over the deal's life.

Virginia International Terminals said its proposal would be worth $3.7 billion to the state over 48 years.

Deutsche Bank's RREEF said its plan would have a total value of $4.7 billion for the state, the port authority and localities during a 50-year concession.

The state port authority owns and runs four general cargo terminals: Norfolk International Terminals, Portsmouth Marine Terminal, Newport News Marine Terminal and the Virginia Inland Port in Warren County. The authority also leases the privately operated Port of Richmond from the city.

---