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Section 1 - SUMMARY

The Route 58 PPTA Project From Hillsville to Stuart (the Project) is one of the largest construction projects in Virginia and is being constructed under the Public Private Transportation Act of 1995. While this project does not meet the exact definition of a Mega Project as defined by the Federal Highway Administration (FHWA), The Virginia Department of Transportation has determined it would use these tools for all projects over \$100 million. The current total estimate for the Project is \$339,192,103.

This document is submitted as the Project's Initial Financial Plan. This plan details the following topics:

Background

- Provides a description of the Project
- Details the Project's history
- Explains the current Project activities

Project Cost Estimate

- Identifies key cost components

Project Financing

- Presents Phase 1 and future Phase Six-Year Program obligations

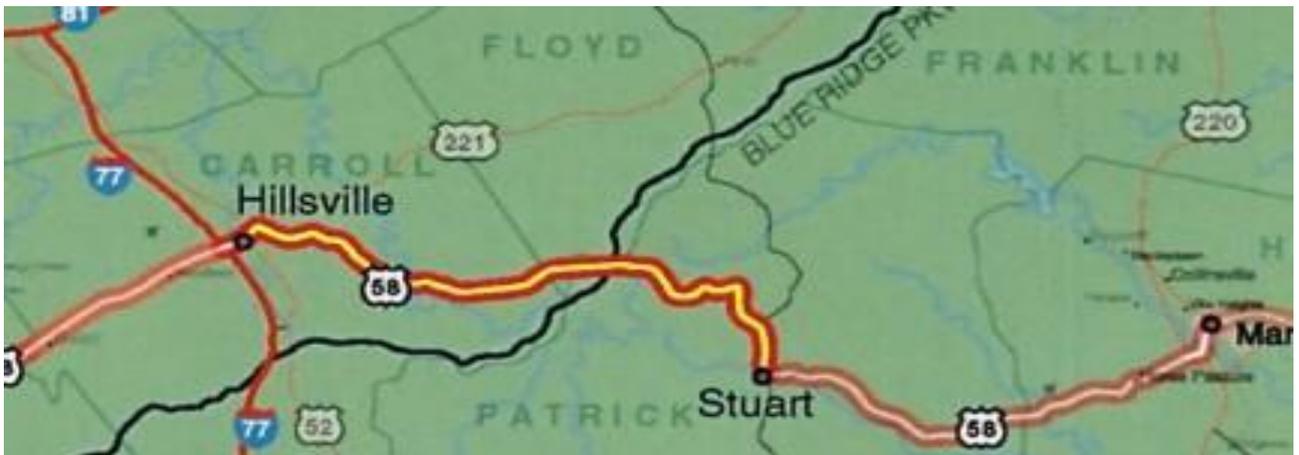
Project Financing

- Identifies committed state funding obligation for Phase 1
- Discusses the project's remaining anticipated Six-Year Program funding

Project Cash Flow

- Demonstrates funding needs will be satisfied for Phase 1

These topics form the Project's Initial Financial Plan. This plan demonstrates and outlines VDOT's commitment to sound financial planning.



SECTION 1 – BACKGROUND

PROJECT DESCRIPTION

The Route 58 Project begins at a point just west of Little Reed Island Creek on the southwest side of the Town of Hillsville and continues generally east thru Carroll, Floyd and Patrick counties to approximately 1 mile west of the town limits of Stuart, at which point the project ties into 4 lanes of existing Route 58. The Project will be designed and constructed in phases.

Phase 1: Blue Ridge Parkway Crossing at Meadows of Dan

Department Project 0058-070-E02

Phase 1 is approximately 3 miles long, and is referred to as the Blue Ridge Parkway Crossing at the Meadows of Dan, in Patrick County. The western terminus of Phase 1 is approximately 0.3 miles west of the existing intersection of Route 58 and Route 600. The alignment is approximately 3 miles long and the eastern terminus is less than 0.1 miles east of the existing intersection of Route 58 and Route 795. Phase 1 of the Project will be a 4-lane, divided highway. It consists of 2 lanes in each direction separated by a median.

PROJECT HISTORY

The Route 58 Corridor Development Program is a construction project that encompasses close to 680 miles and finances planning, environmental and engineering studies, right of way, and construction. Today, about 370 miles are four lanes or more, compared to 240 miles when the Program started. Work began on the east coast and is moving westward.

The Virginia General Assembly established the Route 58 Corridor Development Program in 1989 to enhance economic development potential across this largely rural portion of the state. Travel is being improved on the mostly two-lane, winding and hilly road, and most work is now completed through Henry County.

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Route 58 is Virginia's longest roadway stretching from the Atlantic Ocean to the southwest tip of Virginia. It traverses five VDOT districts - Hampton Roads, Richmond, Lynchburg, Salem and Bristol.

On March 25, 1995, the Governor of the State signed into law, effective July 1, 1995, the Public-Private Transportation Act (the "PPTA"). The PPTA grants the Department of Transportation the authority to allow private entities to acquire, construct, improve, and/or operate qualifying transportation facilities if the Department determines there is a

need for the facilities and private involvement would provide the facilities to the public in a more timely and cost-effective fashion.

Pursuant to the PPTA, in May 2001, the Blue Ridge Corridor Developers submitted an unsolicited conceptual proposal (the “Conceptual Proposal”) to the Department for the development, finance, design and construction of certain transportation facilities, which collectively the Department refers to as the Route 58 Corridor from Hillsville to Stuart (the “Project”). The initial proposal was submitted by Blue Ridge Corridor Developers, of which Branch Highways Inc. was the primary participant. Branch Highways Inc. is noted as the Developer in the Comprehensive Agreement.

In accordance with the Implementation Guidelines, the Department duly posted and published notice of the Conceptual Proposal and referred it to the Initial Review Committee for preliminary review. No other competing proposal was received in response to the posted and published notice (no “Competing Proposal”).

Following a determination by the Initial Review Committee that the Conceptual Proposal merited further review, in November 2001, the Commonwealth Transportation Board (the “Board”), adopted a resolution approving the Conceptual Proposal for further evaluation. The Deputy Secretary of Transportation invited a detailed proposal for consideration by the Public-Private Transportation Advisory Panel (the “Panel”) in accordance with the Implementation Guidelines.

On January 22, 2002, the Developer submitted its detailed proposal (the “Detailed Proposal”) to the Panel for consideration; the Developer submitted supplements to the Detailed Proposal on May 2, 2002 and August 31, 2002. The Developer submitted a revised supplement on February 28, 2003, which replaced the August 31, 2002 supplement.

The Panel evaluated the Detailed Proposal using the “Proposal Evaluation and Selection Criteria” set forth in the Implementation Guidelines. Based on such evaluation, on July 23, 2003, the Panel recommended to the Commissioner that the Detailed Proposal for the Project be further developed pursuant to the PPTA, subject to the following conditions:

- the successful and timely negotiation, execution and delivery of a comprehensive agreement.
- the total cost of the Phase 1 improvements (Blue Ridge Parkway Crossing at Meadows of Dan) must not exceed \$22.483 million, and all Phase 1 improvements must be completed within twenty-four months of notice to proceed.
- for the entire Hillsville to Stuart corridor, the Department should exercise the fiber optic conduit option proposed by Branch Highways, which is not part of Phase 1.
- for the entire Hillsville to Stuart corridor, the Department and Branch Highways must quantify and clearly allocate risks – including changed conditions, weather, cost overruns, etc. The final comprehensive agreement should fairly allocate those risks between the Department and Branch Highways.

Route 58 PPTA Project From Hillsville To Stuart
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On December 15, 2003, the Department entered into agreement with Branch Highways Inc. to design and widen 36 miles of the Route 58 corridor between Stuart and Hillsville as funding becomes available. Because financing for the entire Project had not been obtained as of the date of execution of the Comprehensive Agreement, the Project will be constructed in several Phases, with Notice to Proceed for each Phase contingent upon securing financing for such Phase and satisfaction of other conditions precedent as described in comprehensive agreement.

The initial notice to proceed for Phase 1 was issued on December 29, 2003. The contract value for Phase 1 is \$19,771,672.

CURRENT ACTIVITIES

Phase 1 construction began early in 2004 and is approximately 2/3 complete as of January 2005. The mass grading is over 90% complete and over half of the east bound lane has been graded and base mix asphalt placed. The Blue Ridge Parkway Bridge substructure and deck construction is complete.

The project is currently on schedule for the fixed December 15, 2005 substantial completion date. Additional information can be found at the project website at www.varoute58.com including traffic information and photos.

PROJECT SCHEDULE

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

PHASE	LOCATION (Section)	ACTIVITY	NOTICE TO PROCEED DATE	PROJECT COMPLETION DATES.
1	Blue Ridge Parkway Crossing at Meadows of Dan Department Project 0058-070-E02	Design and Construction per Phase 1 Scope of Work	29-Dec-03	Substantial Completion: 12-Dec-05. Final Completion 5-15-06
Subsequent Phases To Be Determined (TBD)	TBD	TBD	TBD	TBD

Section 2 – Project Cost Estimate

Table 1 below indicates the current estimate breakdown for Phase 1 and the contractor’s estimate for the remaining future phases.

<u>Contract Price and Contractor’s Contingency</u>	
PHASE 1- BLUE RIDGE PARKWAY CROSSING AT MEADOWS OF DAN	
<i>Total construction costs</i>	\$14,950,600
<i>Total engineering, risk and management costs</i>	\$5,021,072
Fixed Price Amount	\$19,971,672
Allowance	N/A to Phase 1
Contract Price	\$19,971,672
Contingency	N/A to Phase 1
SUBSEQUENT PHASES*	
<i>Contractor's price estimate for remainder of corridor</i>	
<i>Total construction, engineering, risk and management costs</i>	\$339,192,103
<u>Footnotes</u>	
* The parties to this Design-Build Contract have not yet finalized a Contract Price and Scope of Work for subsequent Phases.	

The total allocation for Phase 1 is \$22,483,000. The difference between the contract price of \$19,971,672 and the total allocation has been set aside for VDOT contract administration and contingencies. However, as of January 29, 2005 VDOT expenditures are significantly less than anticipated at \$100,000.

Section 3 – Project Financing

Financing the Project

The total funding necessary to complete the Project is currently estimated to be \$339,192,103. The contract obligation for Phase 1 is \$19,971,672. The Commonwealth of Virginia has committed \$22,483,000 in revenues to Phase 1 of the Project in the Six-Year Improvement Program. The primary source of this allocation is from the Route 58 Corridor Fund. Once a project is included in the Six-Year program and assigned allocations, the project construction process is started. § 33.1-23.01 of the Code of Virginia states the term “allocation” shall mean a commitment to expend funds available for construction during each fiscal year. Funds that cannot be expended as allocated within each fiscal year shall be identified, as part of future commitments, and the reason for the failure to spend allocations shall be specifically included in the annual construction improvement program. Thus, VDOT has committed to fully financing Phase 1 of this Project.

The primary source of funding is anticipated from Route 58 bonds.

Funding for future phases has not been identified at this time. However, the individual projects within the corridor are identified in the Six-Year Improvement Program as follows:

RTE 58 FROM: 0.492 KILOMETER EAST BIG REED ISLAND CREEK TO: 0.40 KILOMETER EAST ROUTE 632 (MAPLESHADE ROAD).								
ESTIMATED COST (000's)								
PE	3,628							
RW	3,030							
CN								
TOTAL	6,658							
		UPC NO: 17533 PROJ. NO: 0058-017-E11						
Principal Fund Source	Prev. Alloc.	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	REQ'D AFTER 2010
BOND	6,658	0	0	0	0	0	0	0

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RTE 58 FROM: 0.131 KILOMETER WEST ROUTE 820 TO: 0.492 KILOMETER EAST BIG REED ISLAND CREEK.									
ESTIMATED COST (000's)									
PE	4,219								
RW	5,398								
CN									
TOTAL		9,617							
		UPC NO: 17534							
		PROJ. NO: 0058-017-E12							
Principal Fund Source	Prev. Alloc.	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	REQ'D AFTER 2010	
BOND	9,617	0	0	0	0	0	0	0	0

RTE 58 FROM: 0.160 KM EAST RTE 714 TO: 0.1131 KM N SOUTH INT RTE 722E									
ESTIMATED COST (000's)									
PE	5,715								
RW	8,890								
CN									
TOTAL		14,605							
		UPC NO: 17535							
		PROJ. NO: 0058-017-E13							
Principal Fund Source	Prev. Alloc.	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	REQ'D AFTER 2010	
BOND	14,605	0	0	0	0	0	0	0	0

RTE 58 FROM: 0.660 KM EAST ROUTE 714 TO: STUART BYPASS									
ESTIMATED COST (000's)									
PE	4,570								
RW	6,110								
CN									
TOTAL		10,680							
		UPC NO: 17536							
		PROJ. NO: 0058-070-E18							
Principal Fund Source	Prev. Alloc.	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	REQ'D AFTER 2010	
BOND	10,680	0	0	0	0	0	0	0	0

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RTE 58 FROM: 0.177 KM WEST INT ROUTE 795 TO: 0.660 KM EAST RTE 610									
ESTIMATED COST (000's)									
PE	2,951								
RW	3,618								
CN									
TOTAL		6,569							
		UPC NO: 17537							
		PROJ. NO: 0058-070-E19							
Principal Fund Source	Prev. Alloc.	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	REQ'D AFTER 2010	
BOND	6,569	0	0	0	0	0	0	0	0

RTE 58 FROM: 0.40 KILOMETER EAST ROTUE 632 (MAPLESHADE ROAD) TO: 0.44 KILOMETER WEST EXISTING ROUTE 600									
ESTIMATED COST (000's)									
PE	5,020								
RW	6,914								
CN									
TOTAL		11,934							
		UPC NO: 17538							
		PROJ. NO: 0058-962-E02,C501							
Principal Fund Source	Prev. Alloc.	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	REQ'D AFTER 2010	
BOND	11,934	0	0	0	0	0	0	0	0

RTE 58 FROM: 0.44 KILOMETER WEST EXISTING ROUTE 600 TO: 0.04 KILOMETER WEST EXISTING ROUTE 795									
ESTIMATED COST (000's)									
PE									
RW									
CN									
TOTAL		22,483							
		UPC NO: 56352							
		PROJ. NO: 0058-070-E02,C501							
Principal Fund Source	Prev. Alloc.	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	REQ'D AFTER 2010	
BOND	22,483	0	0	0	0	0	0	0	0

Route 58 PPTA Project From Hillsville To Stuart
Initial Financial Plan

Section 4 – Project Cash Flow

The chart below is from Exhibit D of the Comprehensive Agreement and it illustrates the maximum allowable monthly draw requests through the life of Phase 1.

Plan of Finance for Phase 1

Month	Date	Total Monthly Draw	Fiscal Year	PHASE 1			Total Funds Required Phase 1
			Draw Requirement	CTB Allocations	Local Contribution	Revenue Sharing CTB Match	
1	12/20/03	\$ 700,000		\$ 700,000			\$ 700,000
2	01/20/04	580,672		580,672			580,672
3	02/20/04	840,000		840,000			840,000
4	03/20/04	858,000		858,000			858,000
5	04/20/04	888,000		888,000			888,000
6	05/20/04	1,556,500		1,556,500			1,556,500
7	06/20/04	1,381,500	6,804,672	1,381,500			1,381,500
8	07/20/04	1,291,500		1,291,500			1,291,500
9	08/20/04	1,661,500		1,661,500			1,661,500
10	09/20/04	1,571,500		1,571,500			1,571,500
11	10/20/04	1,551,500		1,551,500			1,551,500
12	11/20/04	1,056,500		1,056,500			1,056,500
13	12/20/04	856,500		756,500	50,000	50,000	856,500
14	01/20/05	99,000		99,000			99,000
15	02/20/05	99,000		99,000			99,000
16	03/20/05	99,000		99,000			99,000
17	04/20/05	714,000		714,000			714,000
18	05/20/05	869,000		869,000			869,000
19	06/20/05	869,000	10,738,000	869,000			869,000
20	07/20/05	789,000		789,000			789,000
21	08/20/05	500,000		500,000			500,000
22	09/20/05	440,000		440,000			440,000
23	10/20/05	235,000		235,000			235,000
24	11/20/05	235,000		235,000			235,000
						TOTAL	19,971,672

Route 58 PPTA Project From Hillsville To Stuart
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Current draw requests are \$1,475,150 less than the maximum payout schedule.

Month	Date	Estimated Monthly Draw	Est. Monthly Cumulative Paid Totals	Actual Monthly Draw	Est. Monthly Cumulative Paid Totals
1	12/20/03	700,000	700,000	500,000	500,000
2	01/20/04	580,672	1,280,672	120,672	620,672
3	02/20/04	840,000	2,120,672	349,200	969,872
4	03/20/04	858,000	2,978,672	767,800	1,737,672
5	04/20/04	888,000	3,866,672	754,250	2,491,922
6	05/20/04	1,556,500	5,423,172	1,589,550	4,081,472
7	06/20/04	1,381,500	6,804,672	1,370,950	5,452,422
8	07/20/04	1,291,500	8,096,172	1,624,510	7,076,932
9	08/20/04	1,661,500	9,757,672	2,196,990	9,273,922
10	09/20/04	1,571,500	11,329,172	900,250	10,174,172
11	10/20/04	1,551,500	12,880,672	1,270,250	11,444,422
12	11/20/04	1,056,500	13,937,172	1,406,600	12,851,022
13	12/20/04	856,500	14,793,672	333,250	13,184,272
14	01/20/05	99,000	14,892,672	233,250	13,417,522
15	02/20/05	99,000	14,991,672		
16	03/20/05	99,000	15,090,672		
17	04/20/05	714,000	15,804,672		
18	05/20/05	869,000	16,673,672		
19	06/20/05	869,000	17,542,672		
20	07/20/05	789,000	18,331,672		
21	08/20/05	500,000	18,831,672		
22	09/20/05	440,000	19,271,672		
23	10/20/05	235,000	19,506,672		
24	11/20/05	235,000	19,741,672		
25	12/20/05	230,000	19,971,672		
Totals		\$ 19,971,672			

**Funding for future phases to be determined.

Section 5 – Updates and Resources

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 December 15. The updates will be submitted by the following January 15. Therefore the first annual update will be due on or before January 15, 2006.

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