

# CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

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CHESAPEAKE BAY  
BRIDGE-TUNNEL



Financial Statements & Quarterly Report  
September 30, 2021

## CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

Quarterly Report for the Period Ending

September 30, 2021

### Overview of the Financial Statements

The Chesapeake Bay Bridge and Tunnel District's (the District) financial report for the quarter ended September 30, 2021 provides long-term and short-term information about the District's overall financial status. This report consists of two parts: management's discussion and analysis and the basic financial statements, including notes to the basic financial statements. Management's discussion and analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities. The basic financial statements are the statements of net position as of September 30, 2021 and 2020, the related statements of revenues, expenses, and changes in net position and the statements of cash flows for the quarter and year then ended. The notes to the basic financial statements consist of information that is essential to a user's understanding of the basic financial statements. As it is considered a special-purpose government engaged only in business-type activities, the District follows enterprise fund reporting; accordingly, the basic financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of nonbridge-tunnel infrastructure assets is recognized in the statements of revenues, expenses, and changes in net position. All assets and deferred outflows of resources and liabilities and deferred inflows of resources resulting from the operation of the District are included in the statements of net position.

### Financial Highlights for the Quarter

- Gross toll revenues before deductions for the fourth quarter of fiscal year 2022 (Q1 FY22) were \$23,239,082 and were 26.1% more than toll revenues in the first quarter of fiscal year 2021 (Q1 FY21). During Q1 FY22, total revenue vehicles of 1,406,868 crossed the District's facility. This represents an increase in vehicular traffic of 301,762 from Q1 FY21.
- Since March, 2020, Virginians have fought against the spread of COVID-19. Commonsense public health restrictions have kept many Virginians safe during the last year, and with vaccines now widely available – over 4.3 million Virginians were fully vaccinated and safe from serious illness or death caused by COVID-19 by the end of the quarter. Executive Order Number Seventy-Nine was issued on May 14, 2021 to end the commonsense public health restrictions due to COVID-19. Traffic and toll revenues were the highest on record for July, August and September of FY22. During Q1 FY22, the District's traffic increased by 27.3% and revenue increased by 26.1% as compared to Q1 FY21.
- Other revenues totaled \$383,937 in Q1 FY22 and totaled \$328,680 in Q1 FY21, which is an increase of \$55,257, or 16.8%.
- Operating expenses before District facility expenses in Q1 FY22 totaled \$3,688,377, which is an increase in operating expenses of \$63,575, or 1.8% from Q1 FY21.

## **CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT**

Quarterly Report for the Period Ending

September 30, 2021

- Facility expenses for Q1 FY22 were \$1,107,027 compared to \$2,869,147 in Q1 FY21. District facility expenses primarily include preservation expenses for bridge and tunnel assets. Preservation expenses are predominantly large complex repairs and renovations and depending on the nature of the preservation expense can vary greatly from year to year. During Q1 FY21, preservation expenses were driven by the ongoing trestle repaving project. The project was completed by the end of fiscal year 2021 accounting for the large decrease in facility expenses between quarters.
- Non-operating revenues/expenses is a net expense in Q1 FY22 of \$4,687,640 compared to a net expense in Q1 FY21 of \$4,205,180. The change is primarily the result of a decrease in the loss of fair value of investments and an offsetting decrease in Interest Income for Q1 FY22. Interest Income in Q1 FY22 decreased by \$765,838 with the decline in overall interest rates.
- Total net position at September 30, 2021 was \$783,660,654 a 2.1 % increase over total net position at September 30, 2020.

### **Contacting the District's Financial Management**

This financial report is designed to provide the bondholders, customers, and other interested parties with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, address your request to the Executive Director or the Deputy Executive Director of Finance and Operations, 32386 Lankford Highway, Cape Charles, Virginia 23310.

**Chesapeake Bay Bridge and Tunnel District**  
**Statements of Net Position**  
**September 30, 2021 and 2020**

<b>Assets and Deferred Outflows of Resources</b>	<b><u>2021</u></b>	<b><u>2020</u></b>
Current assets:		
Cash	\$ 2,101,376	600,280
Investments	83,263,608	44,203,838
Accounts receivable and accrued interest receivable, net	1,446,575	1,262,802
Prepaid expenses and other assets	<u>665,787</u>	<u>637,088</u>
Total current assets	<u>87,477,346</u>	<u>46,704,008</u>
Restricted assets:		
Cash	31,826	38,221
Investments	404,439,559	458,696,005
Accrued interest receivable	<u>186,519</u>	<u>508,727</u>
Total restricted assets	<u>404,657,904</u>	<u>459,242,953</u>
Investments	197,674,380	218,430,379
Capital assets:		
Bridge and tunnel facilities	422,370,201	422,370,201
Construction in progress - Parallel Thimble Shoal Tunnel	467,293,335	440,736,995
Construction in progress - Parallel Chesapeake Tunnel	3,188,325	730,224
Miscellaneous capital assets, net of accumulated depreciation	<u>10,045,171</u>	<u>9,988,186</u>
Total capital assets	<u>902,897,032</u>	<u>873,825,606</u>
Bond insurance costs, net of accumulated amortization	2,379,842	2,492,135
Deferred outflows of resources:		
Differences between expected and actual pension experience	912,445	260,269
Differences between expected and actual RHIP OPEB experience	210,065	286,120
Differences between expected and actual GLI OPEB experience	43,062	45,064
Change in pension assumptions	545,781	950,062
Change in GLI OPEB assumptions	33,576	42,779
Pension contributions	1,080,660	958,688
RHIP OPEB Contributions	105,724	67,337
GLI OPEB contribution	44,950	43,102
Pension investment experience	1,086,137	-
GLI OPEB investment experience	20,167	-
Change in proportionate share GLI OPEB	<u>1,652</u>	<u>2,326</u>
Total deferred outflows of resources	<u>4,084,219</u>	<u>2,655,747</u>
Total assets and deferred outflows of resources	<u>\$ 1,599,170,723</u>	<u>1,603,350,828</u>

**Chesapeake Bay Bridge and Tunnel District**  
**Statements of Net Position**  
**September 30, 2021 and 2020**

<b>Liabilities, Deferred Inflows and Net Position</b>	<b><u>2021</u></b>	<b><u>2020</u></b>
<b>Current liabilities:</b>		
Accounts payable & accrued expenses	\$ 11,739,596	18,666,303
Accrued interest	8,763,666	8,762,329
Unearned revenue	<u>641,541</u>	<u>771,411</u>
Total current liabilities	<u>21,144,803</u>	<u>28,200,043</u>
<b>Long-term liabilities:</b>		
Long-term debt, net of current portion	771,719,701	786,629,096
Net pension liability	15,331,203	12,265,486
Net RHIP OPEB Liability	4,849,441	4,833,426
Arbitrage rebate Liability	1,227,869	2,159,858
Net GLI OPEB Liability	<u>671,372</u>	<u>677,593</u>
Total long-term liabilities	<u>793,799,586</u>	<u>806,565,459</u>
<b>Deferred inflows of resources:</b>		
Pension investment experience	-	302,137
GLI OPEB investment experience	-	13,918
Change in pension assumptions	-	104,586
Change in RHIP OPEB assumptions	520,597	689,923
Change in GLI OPEB assumptions	14,019	20,432
Differences between expected and actual pension experience	-	21,141
Differences between expected and actual GLI OPEB experience	6,029	8,790
Change in proportionate share GLI OPEB	<u>25,035</u>	<u>8,672</u>
Total deferred inflows of resources	<u>565,680</u>	<u>1,169,599</u>
Total liabilities and deferred inflows of resources	<u>815,510,069</u>	<u>835,935,101</u>
<b>Commitments and contingencies</b>		
<b>Net position:</b>		
Net investment in capital assets	445,847,572	422,060,361
Restricted for debt service	74,404,340	100,734,076
Restricted for forfeited property	11,884	11,839
Unrestricted	<u>263,396,858</u>	<u>244,609,451</u>
Total net position	<u>783,660,654</u>	<u>767,415,727</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 1,599,170,723</u>	<u>1,603,350,828</u>

**Statement of Revenues, Expenses, and Changes in Net Position**  
**As of September 30, 2021 & 2020**

	Three Months Ended		Twelve Months Ended	
	September, 2021	September, 2020	September, 2021	September, 2020
<b>Operating Revenues:</b>				
Toll	\$ 22,896,271	18,024,850	63,761,789	52,684,833
Other	383,937	328,680	1,342,911	1,278,644
<b>Total Operating Revenues</b>	<u>23,280,208</u>	<u>18,353,530</u>	<u>65,104,700</u>	<u>53,963,477</u>
<b>Operating Expenses:</b>				
Administration	105,176	97,602	359,332	338,608
Finance	185,683	188,305	865,771	808,977
Operations	1,156,380	1,128,294	4,486,393	4,533,085
Maintenance	983,741	1,002,531	4,023,373	4,175,125
General	1,009,000	945,742	4,982,261	4,134,769
Consultants	95,273	104,166	530,973	663,691
Utilities	153,124	158,162	629,773	747,991
<b>Total Operating Expenses Before District Facility Expenses</b>	<u>3,688,377</u>	<u>3,624,802</u>	<u>15,877,876</u>	<u>15,402,246</u>
<b>District Facility Expenses:</b>				
Insurance	366,466	311,421	1,270,685	1,054,286
Depreciation	165,381	157,459	653,888	692,693
Bridge and Tunnel Preservation	330,717	2,097,934	12,298,846	18,012,263
Other	244,463	302,333	208,628	276,297
<b>Total district facility expenses</b>	<u>1,107,027</u>	<u>2,869,147</u>	<u>14,432,047</u>	<u>20,035,539</u>
<b>Total Operating and District Facility Expenses</b>	<u>4,795,404</u>	<u>6,493,949</u>	<u>30,309,923</u>	<u>35,437,785</u>
<b>Operating Income (Loss)</b>	<u>18,484,804</u>	<u>11,859,581</u>	<u>34,794,777</u>	<u>18,525,692</u>
<b>Nonoperating Revenues (Expenses):</b>				
Change in fair value of investments	(801,775)	(1,159,859)	(4,337,328)	8,168,252
Interest income	1,251,783	2,017,621	6,106,068	9,700,391
Interest expense	(5,064,278)	(5,062,942)	(20,253,430)	(20,246,344)
Bond issuance costs	(73,370)	-	(73,370)	(5,600)
Gain on asset disposal	-	-	28,935	87,265
Other expenses, net	-	-	(20,724)	(13,500)
<b>Total Nonoperating Revenues (Expenses), net</b>	<u>(4,687,640)</u>	<u>(4,205,180)</u>	<u>(18,549,849)</u>	<u>(2,309,536)</u>
<b>Increase (Decrease) in net position</b>	13,797,164	7,654,401	16,244,928	16,216,156
<b>Total net position, beginning of period</b>	769,863,490	759,761,326	767,415,726	751,199,571
<b>Total net position, end of period</b>	<u>\$ 783,660,654</u>	<u>767,415,727</u>	<u>783,660,654</u>	<u>767,415,727</u>

**CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT**

Statements of Cash Flows

For the period ended September 30, 2021 and 2020

	<u>Q1 FY2022</u>	<u>Q1 FY2021</u>
Cash flows from operating activities:		
Toll collections from customers	\$ 22,867,555	18,022,985
Scrip sales	65,760	67,160
Leasing revenue	471,177	306,994
Payments to employees for services and employee benefits	(3,128,367)	(3,083,983)
Payments to suppliers and consultants	(989,285)	(5,810,105)
Other	<u>(776,947)</u>	<u>(278,427)</u>
Net cash provided by (used in) operating activities	<u>18,509,893</u>	<u>9,224,624</u>
Cash flows from investing activities:		
Purchases of investments	(299,358,948)	(160,002,945)
Interest income	1,283,378	2,004,274
Sales and maturities of investments	<u>303,370,070</u>	<u>168,771,659</u>
Net cash provided by (used in) investing activities	<u>5,294,500</u>	<u>10,772,988</u>
Cash flows from capital and related financing activities:		
Capitalized expenditures	(5,288,497)	(12,863,532)
Forfeited assets	(2,419)	(869)
Bond issuance costs	(73,370)	—
Interest paid	<u>(17,523,298)</u>	<u>(17,366,375)</u>
Net cash provided by (used in) capital and related financing activities	<u>(22,887,584)</u>	<u>(30,230,776)</u>
Net increase (decrease) in cash and restricted cash	916,809	(10,233,164)
Cash, beginning of period	<u>1,216,393</u>	<u>10,871,665</u>
Cash, end of period	\$ <u><u>2,133,202</u></u>	\$ <u><u>638,501</u></u>
Cash and restricted cash are presented in the accompanying statements of net position as follows:		
Cash	\$ 2,101,376	600,280
Restricted cash	<u>31,826</u>	<u>38,221</u>
	\$ <u><u>2,133,202</u></u>	\$ <u><u>638,501</u></u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$ 18,484,804	11,859,581
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	165,381	157,459
(Increase) decrease in operating assets:		
Accounts receivable	(370,064)	45,295
Prepaid expenses and other assets	242,825	266,697
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	25,087	(3,126,632)
Unearned revenue	<u>(38,140)</u>	<u>22,224</u>
Net cash provided by operating activities	\$ <u><u>18,509,893</u></u>	\$ <u><u>9,224,624</u></u>

**Chesapeake Bay Bridge and Tunnel District**  
**Statement of Cash & Investments**  
**As of September 30, 2021**

	<u>Cash</u>	<u>Investments</u>	<u>Totals</u>
<b><u>GENERAL REVENUE BOND RESOLUTION FUNDS:</u></b>			
Unrestricted:			
Revenue Fund	\$ 970,368	4,334,321	5,304,689
Operations & Maintenance Reserve Fund	-	4,090,653	4,090,653
Reserve Maintenance Fund	685,682	10,150,855	10,836,537
General Fund	445,327	262,362,159	262,807,486
Total	<u>2,101,377</u>	<u>280,937,988</u>	<u>283,039,365</u>
Restricted:			
Parallel Thimble Shoal Tunnel Project Fund - Series 2016 Bonds	-	16,295,752	16,295,752
Parallel Thimble Shoal Tunnel Project Fund - VTIB	-	728,190	728,190
Parallel Thimble Shoal Tunnel Project Fund - TIFIA	-	9,548,632	9,548,632
Series 2016 Interest Fund	-	3,956,793	3,956,793
Series 2016 VTIB Interest Fund	-	10,452	10,452
Series 2016 TIFIA Interest Fund	-	71,290	71,290
TIFIA Debt Service Reserve Fund	-	22,843,945	22,843,945
VTIB Debt Service Reserve Fund	-	3,387,068	3,387,068
Series 2019 BANs Capitalized Interest Fund	-	44,007,012	44,007,012
Series 2019 BANs Interest Fund	-	8	8
Parallel Thimble Shoal Tunnel Project Fund - Series 2019 BANs	-	303,590,417	303,590,417
Total	<u>-</u>	<u>404,439,559</u>	<u>404,439,559</u>
<b><u>OTHER RESTRICTED ASSETS:</u></b>			
Restricted Asset Forfeited Property Account	31,825	-	31,825
<b>Totals</b>	<u>\$ 2,133,202</u>	<u>685,377,547</u>	<u>687,510,749</u>



**CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT**  
**SCHEDULE OF INVESTMENTS**

As of September 30, 2021

Unrestricted investments at fair market value as of September 30, 2021 consist of the following:

Description	Coupon Rate	Maturity Date	Market Value
<u>Revenue Bond - Revenue Fund</u>			
BB&T Trust Deposit	Variable	Variable	\$ <u>4,334,321</u>
<u>General Revenue Bond - Operations &amp; Maintenance Reserve Fund</u>			
BB&T Trust Deposit	Variable	Variable	<u>4,090,653</u>
<u>GR Reserve Maintenance Fund</u>			
Freddie Mac Notes			
BB&T Trust Deposit	0.250%	06/26/23	2,260,420
	Variable	Not Fixed	<u>7,890,434</u>
			<u>10,150,855</u>
<u>GR General Fund</u>			
Federal National Mortgage Assn.	5.500%	11/01/21	183
US Treasury Notes	2.875%	11/15/21	476,633
MUFG Bank LTD NY Commercial Paper	Variable	11/19/21	4,654,437
Fannie Mae Notes	2.625%	01/11/22	2,084,695
Freddie Mac Global Notes	2.375%	01/13/22	3,855,021
US Treasury Notes	2.500%	01/15/22	2,381,629
US Treasury Notes	1.875%	01/31/22	2,937,338
Federal Home Loan Mortgage Corp. Notes	5.500%	02/01/22	1,627
Apple Inc. Bonds	2.500%	02/09/22	2,963,421
US Treasury Notes	2.500%	02/15/22	5,398,484
Fannie Mae Notes	1.875%	04/05/22	4,894,062
Fannie Mae Notes	1.875%	04/05/22	928,358
US Treasury Notes	1.875%	04/30/22	2,849,522
US Treasury Notes	1.875%	04/30/22	3,738,735
US Treasury Notes	1.750%	05/31/22	2,441,792
Blackrock Inc. Corporate Notes	3.375%	06/01/22	1,225,229
Blackrock Inc. Corporate Notes	3.375%	06/01/22	1,276,280
Fannie Mae Pool	3.000%	06/01/22	17,934
US Treasury Notes	2.125%	06/30/22	2,451,980
Federal Home Loan Mortgage Corp. Notes	6.000%	07/01/22	8,342
US Treasury Notes	1.750%	07/15/22	1,691,919
US Treasury Notes	1.750%	07/15/22	4,802,213
US Treasury Notes	1.750%	07/15/22	618,006
Freddie Mac Notes	0.125%	07/25/22	1,549,980
US Treasury Notes	2.000%	07/31/22	3,738,075
US Treasury Notes	1.500%	08/15/22	1,412,220
Exxon Mobil Corporation	1.902%	08/16/22	659,766
Nordea Bank CD	1.850%	08/26/22	2,729,702
US Treasury Notes	1.625%	08/31/22	3,041,719

**CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT**  
**SCHEDULE OF INVESTMENTS**

As of September 30, 2021

Description	Coupon Rate	Maturity Date	Market Value
<u>General Resolution - General Fund (continued):</u>			
US Treasury Notes	1.625%	08/31/22	\$ 3,786,940
Fannie Mae Notes	1.375%	09/06/22	5,613,758
Fannie Mae Notes	1.375%	09/06/22	3,975,148
US Treasury Notes	1.375%	10/15/22	1,205,619
US Treasury Notes	1.625%	11/15/22	3,914,969
US Treasury Notes	1.750%	01/31/23	2,225,984
Federal Home Loan Bank Notes	1.375%	02/17/23	1,951,043
Federal Home Loan Bank Notes	1.375%	02/17/23	2,337,186
Federal Home Loan Bank Notes	1.375%	02/17/23	3,078,989
Walmart Stores, Inc.	2.550%	04/11/23	4,029,279
Freddie Mac Notes	0.375%	04/20/23	2,004,826
Freddie Mac Notes	0.375%	04/20/23	3,508,446
US Treasury Notes	2.750%	04/30/23	1,965,895
Freddie Mac Notes	0.375%	05/05/23	3,508,113
Fannie Mae Notes	0.250%	05/22/23	3,251,105
Freddie Mac Notes	0.250%	06/26/23	3,190,593
US Treasury Notes	2.625%	06/30/23	5,260,680
Fannie Mae Notes	0.250%	07/10/23	4,160,416
Fannie Mae Notes	0.300%	08/10/23	4,488,289
Fannie Mae Notes	0.360%	08/18/23	3,001,551
Freddie Mac Notes	0.250%	08/24/23	2,004,455
Freddie Mac Notes	0.250%	08/24/23	2,299,374
Freddie Mac Notes	0.250%	09/08/23	969,357
Freddie Mac Notes	0.250%	09/08/23	1,294,141
US Treasury Notes	2.875%	09/30/23	4,342,308
US Treasury Notes	2.875%	10/31/23	2,591,072
Freddie Mac Notes	0.250%	11/06/23	334,480
International Bank of Recon & Dev Global	0.250%	11/24/23	948,194
Fannie Mae Notes	0.250%	11/27/23	1,872,008
US Treasury Notes	2.875%	11/30/23	1,149,950
US Treasury Notes	2.875%	11/30/23	3,059,500
Freddie Mac Notes	0.250%	12/04/23	1,921,067
US Treasury Notes	0.125%	12/15/23	2,657,484
US Treasury Notes	0.125%	01/15/24	1,308,014
Fannie Mae Notes	0.310%	01/26/24	1,097,598
Fannie Mae Notes	0.310%	01/26/24	3,976,297
US Treasury Notes	2.500%	01/31/24	2,020,648
US Treasury Notes	2.500%	01/31/24	2,235,834
US Treasury Notes	2.500%	01/31/24	3,673,906

**CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT**  
**SCHEDULE OF INVESTMENTS**

As of September 30, 2021

Description	Coupon Rate	Maturity Date	Market Value
<u>General Resolution - General Fund (continued):</u>			
US Treasury Notes	0.250%	03/15/24	\$ 2,366,836
US Treasury Notes	0.250%	03/15/24	2,491,406
Federal Farm Credit Bank Notes	0.875%	04/08/24	3,614,227
US Treasury Notes	2.250%	04/30/24	1,999,531
US Treasury Notes	0.375%	09/15/24	3,355,256
US Treasury Notes	2.250%	10/31/24	447,180
US Treasury Notes	1.500%	10/31/24	3,309,441
US Treasury Notes	2.125%	11/30/24	1,090,862
Fannie Mae Notes	1.625%	01/07/25	3,368,529
Fannie Mae Notes	1.625%	01/07/25	2,795,052
Freddie Mac Notes	1.500%	02/12/25	1,014,331
Freddie Mac Notes	1.500%	02/12/25	1,513,774
Freddie Mac Notes	1.500%	02/12/25	2,358,192
Microsoft Corporation	2.700%	02/12/25	2,515,987
US Treasury Notes	0.500%	03/31/25	2,486,719
Federal Home Loan Bank Notes	0.500%	04/14/25	2,271,896
Fannie Mae Notes	0.625%	04/22/25	1,657,706
Fannie Mae Notes	0.625%	04/22/25	3,045,785
US Treasury Notes	0.250%	05/31/25	1,671,578
Fannie Mae Notes	0.500%	06/17/25	3,508,579
Fannie Mae Notes	0.500%	06/17/25	2,168,669
Fannie Mae Notes	0.500%	06/17/25	1,210,882
Freddie Mac Notes	0.375%	07/21/25	1,304,709
Fannie Mae Notes	0.500%	08/14/25	2,283,544
Fannie Mae Notes	0.375%	08/25/25	2,108,056
Federal National Mortgage Assn.	0.375%	08/25/25	2,364,175
US Treasury Notes	0.250%	08/31/25	1,787,930
Freddie Mac Notes	0.375%	09/23/25	3,090,991
US Treasury Notes	0.250%	09/30/25	2,006,438
US Treasury Notes	0.250%	09/30/25	3,352,219
Fannie Mae Notes	0.500%	10/20/25	2,347,346
Fannie Mae Notes	0.500%	11/07/25	2,221,985
US Treasury Notes	0.375%	12/31/25	2,989,000
US Treasury Notes	0.375%	12/31/25	1,739,500
US Treasury Notes	0.375%	12/31/25	1,862,000
US Treasury Notes	0.375%	12/31/25	3,831,800
US Treasury Notes	0.375%	12/31/25	2,116,800
US Treasury Notes	0.375%	01/31/26	1,810,399
US Treasury Notes	0.750%	05/31/26	1,120,466
US Treasury Notes	0.750%	05/31/26	1,487,344
GNMA Pool #5276	3.000%	01/01/27	188,430
GNMA Pool #794283	3.500%	03/01/27	120,125
GNMA Pool #MA0007	3.000%	04/01/27	329,057
Fannie Mae Pool #1084	3.500%	06/01/32	434,345
BB&T Trust Deposit	Variable	Not Fixed	159,271
			<u>262,362,159</u>
Total unrestricted investments			<u>280,937,988</u>

**CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT**  
**SCHEDULE OF INVESTMENTS**

As of September 30, 2021

Restricted investments at fair market value as of September 30, 2021 consist of the following:

Description	Coupon Rate	Maturity Date	Market Value
<u>General Revenue Bond - TIFIA Debt Service Reserve Fund</u>			
US Treasury Notes	2.000%	12/31/21	\$ 221,066
Freddie Mac Notes	0.250%	06/26/23	9,076,688
US Treasury Notes	0.125%	12/31/22	7,813,779
US Treasury Notes	2.250%	12/31/23	3,326,572
Freddie Mac Notes	0.375%	09/23/25	2,396,995
BB&T Trust Deposit	Variable	Not Fixed	8,846
			<u>22,843,945</u>
<u>General Revenue Bond - VTIB Debt Service Reserve Fund</u>			
US Treasury Notes	2.000%	12/31/21	35,170
US Treasury Notes	0.125%	12/31/22	1,655,741
Freddie Mac Notes	0.250%	06/23/23	1,340,249
Freddie Mac Notes	0.375%	09/23/25	354,381
BB&T Trust Deposit	Variable	Not Fixed	1,527
			<u>3,387,068</u>
<u>General Revenue Bond - Series 2016 Interest Fund</u>			
BB&T Trust Deposit	Variable	Not Fixed	<u>3,956,793</u>
<u>General Revenue Bond - Series 2016 VTIB Interest Fund</u>			
BB&T Trust Deposit	Variable	Not Fixed	<u>10,452</u>
<u>General Revenue Bond - Series 2016 TIFIA Interest Fund</u>			
BB&T Trust Deposit	Variable	Not Fixed	<u>71,291</u>
<u>2016 Thimble Shoal Project Fund</u>			
Local Government Investment Pool SNAP	Variable	Not Fixed	16,295,537
BB&T Trust Deposit	Variable	Not Fixed	215
			<u>16,295,752</u>
<u>2016 Thimble Shoal Project Fund - TIFIA</u>			
BB&T Trust Deposit	Variable	Not Fixed	<u>9,548,632</u>
<u>2016 Thimble Shoal Project Fund - VTIB</u>			
BB&T Trust Deposit	Variable	Not Fixed	<u>728,190</u>
<u>2019 BANs Interest Fund</u>			
BB&T Trust Deposit	Variable	Not Fixed	<u>8</u>

**CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT**  
**SCHEDULE OF INVESTMENTS**

As of September 30, 2021

<u>Description</u>	<u>Coupon Rate</u>	<u>Maturity Date</u>	<u>Market Value</u>
<u>2019 BANs Capitalized Interest Fund</u>			
US Treasury Notes	1.750%	06/30/22	\$ 9,237,038
US Treasury Notes	2.125%	12/31/22	9,429,174
Freddie Mac Notes	0.250%	06/26/23	9,636,792
Freddie Mac Notes	0.250%	08/24/23	6,803,149
Local Government Investment Pool SNAP	Variable	Not Fixed	8,892,128
BB&T Trust Deposit	Variable	Not Fixed	8,731
			<u>44,007,012</u>
<u>2019 BANs Thimble Shoal Tunnel Project Fund</u>			
US Treasury Notes	0.125%	12/15/23	49,765,625
US Treasury Notes	0.250%	03/15/24	30,838,627
US Treasury Notes	0.250%	06/15/24	49,718,750
Local Government Investment Pool SNAP	Variable	Not Fixed	172,139,788
BB&T Trust Deposit	Variable	Not Fixed	1,127,628
			<u>303,590,417</u>
Total restricted investments			<u>404,439,559</u>

**CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT**  
**Vehicular Traffic Statistics**

DESCRIPTION/CLASS	CURRENT YEAR				
	July 2021	August 2021	September 2021	3 Months Ended 09/30/21	12 Months Ended 09/30/21
<b>Cars/Light Trucks:</b>					
Class 1	415,026	401,442	279,291	1,095,759	2,967,154
Class 1 Round Trip	43,088	40,928	36,691	120,707	416,856
Class 1 Commuter	15,788	17,435	16,868	50,091	183,097
Class 2	5,298	4,678	4,019	13,995	38,557
Class 2 Round Trip	570	442	450	1,462	4,814
Class 3	7,321	6,411	6,192	19,924	56,917
Class 3 Round Trip	644	598	543	1,785	6,132
Class 4	406	376	366	1,148	3,805
Class 4 Round Trip	54	39	30	123	411
Sub Total	<u>488,195</u>	<u>472,349</u>	<u>344,450</u>	<u>1,304,994</u>	<u>3,677,743</u>
<b>Heavy Trucks:</b>					
Class 9	6,262	5,932	5,519	17,713	61,606
Class 10	1,643	1,694	1,503	4,840	17,221
Class 11	1,457	1,476	1,480	4,413	14,542
Class 12	25,494	23,884	22,548	71,926	269,637
Class 13	390	367	311	1,068	5,106
Class 16	54	39	73	166	518
Sub Total	<u>35,300</u>	<u>33,392</u>	<u>31,434</u>	<u>100,126</u>	<u>368,630</u>
<b>Buses:</b>					
Class 8	29	55	100	184	603
Class 14	98	54	59	211	375
Class 15	454	472	427	1,353	2,927
Sub Total	<u>581</u>	<u>581</u>	<u>586</u>	<u>1,748</u>	<u>3,905</u>
<b>Totals</b>	<u>524,076</u>	<u>506,322</u>	<u>376,470</u>	<u>1,406,868</u>	<u>4,050,278</u>

DESCRIPTION/CLASS	PRIOR YEAR				
	July 2020	August 2020	September 2020	3 Months Ended 09/30/20	12 Months Ended 09/30/20
<b>Cars/Light Trucks:</b>					
Class 1	297,102	302,016	233,464	832,582	2,382,474
Class 1 Round Trip	35,954	35,343	33,051	104,348	360,903
Class 1 Commuter	13,753	13,219	14,215	41,187	170,316
Class 2	4,917	4,553	3,562	13,032	30,811
Class 2 Round Trip	531	472	382	1,385	4,168
Class 3	6,037	5,582	5,120	16,739	42,196
Class 3 Round Trip	556	535	496	1,587	5,005
Class 4	329	337	312	978	2,901
Class 4 Round Trip	35	20	28	83	253
Sub Total	<u>359,214</u>	<u>362,077</u>	<u>290,630</u>	<u>1,011,921</u>	<u>2,999,027</u>
<b>Heavy Trucks:</b>					
Class 9	5,612	5,559	4,929	16,100	53,817
Class 10	1,503	1,363	1,362	4,228	15,546
Class 11	1,238	1,098	1,232	3,568	12,477
Class 12	23,888	21,414	21,808	67,110	251,162
Class 13	450	389	609	1,448	5,067
Class 16	36	27	44	107	368
Sub Total	<u>32,727</u>	<u>29,850</u>	<u>29,984</u>	<u>92,561</u>	<u>338,437</u>
<b>Buses:</b>					
Class 8	23	12	5	40	836
Class 14	69	29	44	142	365
Class 15	165	149	128	442	4,776
Sub Total	<u>257</u>	<u>190</u>	<u>177</u>	<u>624</u>	<u>5,977</u>
<b>Totals</b>	<u>392,198</u>	<u>392,117</u>	<u>320,791</u>	<u>1,105,106</u>	<u>3,343,441</u>

## CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

Quarterly Report for the Period Ending

September 30, 2021

### (1) Organization and Summary of Operations

The Chesapeake Bay Bridge and Tunnel District (the District) was created as a political subdivision of the Commonwealth of Virginia by Chapter 693 of the Acts of Virginia of 1954. Chapter 693 was subsequently amended by the following Chapters of the Acts of Virginia: Chapters 462 and 714 of the 1956 Session, Chapter 24 of the 1959 Extra Session, Chapters 228 and 605 of the 1962 Session, Chapter 348 of the 1964 Session, Chapter 203 of the 1990 Session, Chapter 548 of the 1998 Session, Chapters 238 and 705 of the 2000 Session, and Chapters 270 and 297 of the 2005 Session, (collectively, the Acts). All such Acts have been codified into Title 33.2 Code of Virginia, Chapter 22. The District comprises the area, all within the Commonwealth of Virginia, in Accomack and Northampton Counties, the Cities of Virginia Beach, Hampton, Newport News, Chesapeake, Norfolk, and Portsmouth, and the area of the Chesapeake Bay between these subdivisions.

By the Acts, the Chesapeake Bay Bridge and Tunnel Commission (the Commission) was created as the governing body of the District. These Acts authorized the Commission to acquire, establish, construct, maintain, repair, and operate a project comprising public ferry service over and across the waters between any two points within the boundaries of the District, where such public ferry services would form a connecting link in the system of state highways.

Under the Acts, the Commission was also authorized to establish, construct, maintain, repair, and operate a bridge or tunnel or a bridge and tunnel project from any point within the boundaries of the District to a point in the County of Northampton, including such approaches and approach highways as the Commission deemed necessary to facilitate the flow of traffic in the vicinity of such project or to connect such project with the highway system or other facilities in the state.

The Chesapeake Bay Bridge and Tunnel (the Bridge-Tunnel) is a 20-mile, four-lane trestle and bridge and two-lane tunnel crossing at the mouth of the Chesapeake Bay between the City of Virginia Beach and Northampton County on the Eastern Shore of Virginia. The Bridge-Tunnel consists principally of low-level trestles, four bridges, two tunnels, approach highways, and an earth-fill causeway. The Bridge-Tunnel is designated as part of U.S. Route 13, the main north-south highway on Virginia's Eastern Shore and the only direct link between Virginia's Eastern Shore and the metropolitan area of south Hampton Roads, Virginia.

The District sold a revenue bond issue of \$200,000,000 (1960 Bonds) under a Trust Indenture dated July 1, 1960, and constructed the two-lane bridge and tunnel project. The project was opened to traffic on April 15, 1964. The Commission discontinued ferry service following the opening of the two-lane bridge and tunnel project.

On April 15, 1964, the Bridge-Tunnel opened as a two-lane facility. A three-staged parallel crossing project began in 1995. Stage 1 of this project was completed in April 1999. This stage included construction of parallel trestles, bridges, roadways, and rehabilitation of the original two-lane facility. Stage 2 is ongoing and will consist of construction of an additional two-lane tunnel under Thimble Shoal Channel. Stage 3 will complete the parallel crossing with construction of an additional two-lane tunnel under Chesapeake Channel.

## CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

Quarterly Report for the Period Ending

September 30, 2021

### **(2) Summary of Significant Accounting Policies**

The District is accounted for under the economic resources measurement focus and the accrual basis of accounting as a special-purpose government engaged in business-type activities, which follows enterprise fund reporting. Special-purpose governments engaged in business-type activities are used to account for the ongoing activities that are financed and operated similar to those often found in the private sector. Accordingly, revenues are recognized in the period earned and expenses are recognized when they are incurred. The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from the District's ongoing operations. Operating revenues include revenue from toll collection, recognized when travelers cross the bridge and tunnel, and lease income. Operating expenses include District facility and administrative expenses. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

The statements of net position reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and the residual net position of the District. Deferred outflows of resources are defined as a consumption of net position by the District that is applicable to a future reporting period. Similarly, deferred inflows of resources are defined as an acquisition of net position by the District that is applicable to a future reporting period.

#### **(a) Cash and Investments**

Cash includes cash on hand and various checking accounts.

In accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), the District reports its investment securities at fair market value. Fair market value is determined as of the statements of net position date. The fair value is based on either quotations obtained from national security exchanges or on the basis of quotations provided by a pricing service, which uses information with respect to transactions on bonds, quotations from bond dealers, market transactions in comparable securities, and various relationships between securities.

#### **(b) Restricted Assets**

In accordance with applicable covenants of certain bond issues, cash, investments, and accrued interest receivables have been appropriately restricted. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources, as they are needed.



## CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

Quarterly Report for the Period Ending

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### **(c) Capital Assets**

The bridge and tunnel assets and construction in progress are stated at cost and include previously capitalized interest. In FY2020, the District implemented Governmental Accounting Standards Board (“GASB”) Statement 89 – Accounting for Interest Cost Incurred before the End of a Construction Project which no longer requires the capitalization of interest during construction projects beginning with FY2020. The new statement is only applied prospectively. No provision for depreciation or obsolescence of the Bridge-Tunnel facilities is provided as the District has adopted the modified approach to account for these assets. All other assets excluding bridges and tunnel assets are being depreciated straight-line over their estimated useful lives of three years up to 50 years.

### **(d) Net Position**

Net position is classified into four different components: net investment in capital assets, restricted for debt service, restricted for forfeited property, and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Net position restricted for debt service is reported when constraints are placed on the use of assets either externally by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislations. Net position restricted for forfeited property represents assets lawfully seized by the District’s police and restricted for expenditures in accordance with the Virginia Department of Criminal Justice regulations. Unrestricted net position contains the revenue fund, reserve maintenance fund, and the general fund net position. The reserve maintenance fund and general fund are expended to preserve the capital assets by planned and unplanned extraordinary maintenance projects. The general fund will also be used for current and future construction projects.

### **(e) Management’s Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and deferred outflows and liabilities and deferred inflows and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **(f) Revenue Recognition**

Toll revenues represent the tolls collected, net of any deductions such as credit card fees, EZ Pass fees and medical and educational toll discounts. Revenues are recognized when earned.

### **(g) Accounts Receivable**

A significant portion of the District’s toll revenues are collected electronically via credit card, debit card or E-ZPass. E-ZPass allows tolls to be paid from a prepaid account between a participating group of toll agencies throughout the northeastern and mid-Atlantic United States. The payment of the tolls is governed by a reciprocal agreement between the participating agencies. Electronic toll payment via all three methods is usually received within one to three days following the toll charge.

## CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

Quarterly Report for the Period Ending

September 30, 2021

The lagged toll payment is recorded as a receivable on the District's statement of net position. In management's estimate an allowance for doubtful account is unnecessary given the reliability of payment under the reciprocal agreement.

### **(h) Pensions**

The Virginia Retirement System (VRS) Political Subdivision Retirement Plan is a multi-employer, agent plan. For purposes of measuring net pension liability, deferred outflows of resources and deferred inflows of resources, related to pensions, and pension expense, information about the fiduciary net position of the District's Retirement Plan and the additions to/deductions from the District's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### **(i) Postemployment benefits other than pensions (OPEB)**

District employees participate in two postemployment benefits other than pensions (other postemployment benefits or OPEB) plans:

The Chesapeake Bay Bridge and Tunnel District Retiree Health Insurance Plan ("RHIP") is a single employer, defined benefit plan that provides health, vision and dental benefit plans for eligible members through a self-funded plan administered by the District. For purposes of measuring the net RHIP OPEB liability, deferred outflows of resources and deferred inflows of resources related to RHIP OPEB, and RHIP OPEB expense, information about the fiduciary net position of the RHIP and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the RHIP. For this purpose, the RHIP recognizes benefit payments when due and payable in accordance with the benefit terms.

The VRS Group Life Insurance Program is a multiple employer, cost sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net Group Life Insurance Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, and Group Life Insurance Program OPEB expense, information about the fiduciary net position of VRS Group Life Insurance program OPEB and the additions to/deductions from the VRS Group Life Insurance Program OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

Quarterly Report for the Period Ending

September 30, 2021

### **(j) *Deferred Outflows and Inflows of Resources***

Deferred outflows of resources are defined as a consumption of net position by the District that is applicable to a future reporting period. Similarly, deferred inflows of resources are defined as an acquisition of net positions by the District that is applicable to a future reporting period. The pension and OPEB deferred inflows and outflows related to the difference between expected and actual experience and changes in assumptions are recognized using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions and OPEB through the plans. The pension and OPEB deferred inflows and outflows related to investment experience are recognized using a systematic and rational method over a closed five-year period. The pension and OPEB deferred outflows of resources related to contributions subsequent to the measurement date are recognized as a reduction of the net pension and OPEB liabilities in the subsequent fiscal year.

### **(3) Cash Deposits and Investments.**

#### **(a) *Deposits***

The carrying value of the District's deposits (unrestricted and restricted) was \$2,133,202 and \$638,501 at September 30, 2021 and 2020, respectively. The bank balance of these deposits was \$2,160,334 and \$1,095,744 at September 30, 2021 and 2020, respectively. The entire bank balance was covered for both fiscal years by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act (VSPD Act). In accordance with the VSPD Act, the District's depository institution pledged collateral in the form of federal agency obligations with a market value equal to 110% of the District's deposits with a fourth-party trustee in the name of the Treasurer of the Commonwealth of Virginia. In the event that the banking institution fails, the Treasurer will take possession of the collateral, liquidate it, and reimburse the District up to the value of its deposits. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the VSPD Act and for notifying local governments of compliance by banks.

#### **(b) *Investments***

The District is authorized to invest in obligations of the United States or agencies thereof; obligations of any state or territory of the United States and any political subdivision thereof; obligations permitted by the laws of the Commonwealth of Virginia; repurchase agreements with respect to the foregoing obligations; certificates of deposit, time deposits, or interest in money market portfolios issued by any bank, banking association, savings and loan association, or trust company insured by the FDIC or Federal Savings and Loan Insurance Corporation; commercial paper, shares in one or more open-ended investment funds provided that the funds are registered under the State Securities Act or the Federal Investment Company Act; bankers' acceptances; and units representing beneficial interests in investment pools created pursuant to the Government Non-Arbitrage Investment Act of the Commonwealth of Virginia.

**CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT**

Quarterly Report for the Period Ending

September 30, 2021

**(c) Credit Risk**

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As required by state statute, the policy requires that commercial paper have a short-term debt rating of no less than “A-1” (or its equivalent) from at least two of the following: Moody’s Investors Service, Standard & Poor’s, Fitch Investors Service, and Duff and Phelps. Corporate notes, negotiable certificates of deposit, and bank deposit, notes maturing in less than one year must have a short-term debt rating of at least “A-1” by Standard & Poor’s and “P-1” by Moody’s Investors Service. Notes having a maturity of greater than one year must be rated “AA” by Standard & Poor’s and “Aa” by Moody’s Investors Service.

The District’s investment securities using the Standard & Poor’s credit quality ratings scale are presented below:

<u>Investment type</u>	<u>Standard &amp; Poor's credit rating</u>					
	<u>AAA</u>	<u>AA+</u>	<u>AA</u>	<u>AA-</u>	<u>A-1</u>	<u>Total</u>
U.S. treasuries	\$ -	284,743,310	-	-	-	284,743,310
Supra-national agency	948,194	-	-	-	-	948,194
US agencies	-	149,267,458	-	-	-	149,267,458
Federal agency mortgage-backed	-	1,100,042	-	-	-	1,100,042
Certificate of deposit	-	-	-	2,729,702	-	2,729,702
Corporate notes	2,515,987	2,963,421	4,689,045	2,501,509	-	12,669,962
Commercial Paper	-	-	-	-	4,654,437	4,654,437
	<u>\$ 3,464,181</u>	<u>438,074,231</u>	<u>4,689,045</u>	<u>5,231,211</u>	<u>4,654,437</u>	<u>456,113,104</u>

## CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

Quarterly Report for the Period Ending

September 30, 2021

### **(d) Concentration of Credit Risk**

The District's investment policy establishes guidelines on portfolio composition by investment type in order to control concentration of credit risk. As of September 30, 2021, the District's portfolio was invested as follows:

<u>Investment type</u>	<u>2021 Fair Value</u>	<u>Percentage of portfolio</u>
U.S. treasuries	\$ 284,743,310	41.55%
Supra-national agency	948,194	0.14%
US agencies	149,267,458	21.78%
Federal agency		0.00%
mortgage-backed	1,100,042	0.16%
Certificate of deposit	2,729,702	0.40%
Corporate notes	12,669,962	1.85%
Commercial Paper	4,654,437	0.68%
Money market funds	229,264,442	33.45%
	<u>\$ 685,377,547</u>	<u>100.0%</u>

### **(e) Interest Rate Risk**

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment. The District's investment policy limits the investment of funds as a means of limiting exposure to fair value losses. Investments in the General Resolution General Fund are limited to investments with maturities that are consistent with the schedule of planning, development, and construction of parallel tunnels that would complete the parallel crossing. Investments are selected based on the current perception of the direction of interest rates with a greater emphasis on yield and a lesser emphasis on liquidity.

**CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT**

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Proceeds from the sale of bonds issued by the District are invested in compliance with the specific requirements of the bond covenants without further restriction as to the maximum term of securities purchased.

As of September 30, 2021, the District had the following investments and maturities:

<u>Investment type</u>	<u>2021 Fair Value</u>	<u>Investment maturities (in years)</u>			<u>Not Fixed</u>
		<u>Less than 1 Year</u>	<u>Between 1 to 3 Years</u>	<u>Greater than 3 Years</u>	
U.S. treasuries	\$ 284,743,310	51,260,474	200,373,162	33,109,673	-
Supra-national agency	948,194	-	948,194	-	-
US agencies	149,267,458	22,901,023	82,980,859	43,385,576	-
Federal agency					
mortgage-backed	1,100,042	28,087	-	1,071,956	-
Certificate of deposit	2,729,702	2,729,702	-	-	-
Corporate notes	12,669,962	6,124,696	4,029,279	2,515,987	-
Commercial Paper	4,654,437	4,654,437	-	-	-
Money market funds	229,264,442	-	-	-	229,264,442
	<u>\$ 685,377,547</u>	<u>87,698,418</u>	<u>288,331,494</u>	<u>80,083,192</u>	<u>229,264,442</u>

**(f) Summary of Changes in Fair Value of Investments**

The calculation of realized gains and losses is independent of the calculation of the change in fair value (including purchases and sales) that occurred during the year. Realized gains and losses on investments that were held by the District during previous years, but sold during the current year, were used to compute the change in fair value of investments for the previous year as well as the current year. The change in fair value of investments for the quarter ended September 30, 2021 is calculated as follows:

	<u>Q1 FY22</u>
Fair value of investments at end of quarter	\$ 685,377,547
Add:	
Proceeds from sales and maturities during the quarter	303,370,071
Less:	
Cost of investments purchased during the quarter	(299,358,948)
Fair value of investments at beginning of quarter	<u>(690,190,445)</u>
Change in fair value of investments	<u>\$ (801,775)</u>

## CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

Quarterly Report for the Period Ending

September 30, 2021

### (4) Capital Assets

Capital assets include bridge and tunnel assets, capitalized interest and financing expenses, and other capital assets. The bridges, trestles, approach roads, Fisherman Island Causeway, tunnels, portal islands with all attached improvements, toll plaza infrastructure and the rest area facility, and site-wide utilities are classified as bridge and tunnel assets. Capitalized interest and financing expenses include the amount of money that was funded from the 1960 Bonds issued for debt service and associated costs of the bonds during construction until the opening of the Bridge-Tunnel in 1964. Miscellaneous capital assets include all other assets that the District has capitalized such as land, buildings, fleet vehicles, and equipment.

The District utilizes the modified approach to infrastructure reporting on bridge and tunnel assets and capitalized interest and financing expenses. In lieu of reporting depreciation on bridge and tunnel assets, the costs incurred for maintaining bridge and tunnel assets at the condition level that is specified by Commission policy are reported as preservation expenses on the accompanying statements of revenues, expenses, and changes in net position.

The District has elected to continue to use the traditional approach or depreciation method for buildings, fleet vehicles, and equipment that are depreciable, as stipulated in the District's Capital Asset Policy.

U.S. generally accepted accounting principles (GAAP) requires that governmental entities that utilize the modified approach for infrastructure reporting must have their governing board set a policy for the condition levels at which modified approach assets will be maintained. GAAP also requires that a fourth party perform condition level assessments of the modified approach assets annually and that the condition levels for the current and prior two fiscal years be disclosed in the notes to the financial statements.

The Commission's preservation policy is to maintain 90% of the bridge and tunnel assets at a maintenance rating program (MRP) condition level of "good" or better.

Jacob's Engineering, Inc., the District's consulting engineer, has inspected the District's bridge and tunnel assets. Jacob's Engineering, Inc. determines the MRP condition level for the bridge and tunnel assets as a *numeric scaled rating*. The *numeric scaled rating* is based on a condition index utilized by the Virginia Department of Transportation whereby 0 is a failed condition level and 9 is an excellent condition level. The table below defines the *numeric scaled ratings* assigned by Jacob's Engineering, Inc.:

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**MRP Numeric code scale**

<b>Numeric code</b>	<b>Narrative code</b>	<b>Definition</b>
9	Excellent	Component/Element has been recently put in service or remains in new condition
8	Very Good	No problems noted, potential exists for minor preventative maintenance
7	Good	Potential exists for minor maintenance
6	Satisfactory	Potential exists for major maintenance
5	Fair	Potential exists for minor repair or rehabilitation
4	Poor	Potential exists for major repair or rehabilitation
3	Serious	Major repair or rehabilitation required
2	Critical	The need for repair or rehabilitation is urgent. Component/Element should be taken out of service until indicated repair is complete.
1	Imminent Failure	Component is out of service; study feasibility for repair or rehabilitation
0	Failed	Component is out of service and beyond repair, replacement required

The following two tables derive percentages in different ways. Trestles and bridges that have an MRP *numeric* condition level are described as a percentage of lane miles. All other bridge and tunnel assets that have an MRP *numeric* condition level are described as a percentage of that specific bridge and tunnel asset.

The following tables detail the MRP condition level of bridge and tunnel assets for the last three years:

<b>Percentage of capital assets at an MRP condition Level 7 or better</b>			
<b>Bridge and tunnel assets</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Approach roads	100%	100%	100%
Fisherman Island Causeway	100	100	100
Tunnels	88	88	87
Portal islands	89	85	85
Toll plaza infrastructure	100	100	100
Site-wide utilities	100	100	100



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Percentage of land miles at an MRP condition Level 7 or better			
Bridge and tunnel assets	2021	2020	2019
Original bridges	100%	100%	100%
Parallel crossing bridges	100	100	100
Original trestles	84	84	100
Parallel crossing trestles	100	100	100

**(5) General Resolution Revenue Bonds**

Bond activity for Q1 FY22 was as follows:

	Balance June 30, 2021	Bond proceeds	Amortization of costs, premiums, discounts, net	Capitalized Interest	Balance September 30, 2021	Amounts due within one year
<u>First Tier General Resolution</u>						
Series 2016 Bonds	\$ 321,515,000	-	-	-	321,515,000	-
Series 2016 Issuance Premiums	33,627,762	-	(383,939)	-	33,243,823	-
Series 2019 BANs	378,140,000	-	-	-	378,140,000	-
Series 2019 Issuance Premiums	31,206,204	-	(3,343,522)	-	27,862,682	-
<u>Subordinate Tier General Resolution</u>						
TIFIA Series 2016	9,547,850	-	-	-	9,547,850	-
VTIB Series 2016	1,410,346	-	-	-	1,410,346	-
	\$ <u>775,447,162</u>	<u>-</u>	<u>(3,727,461)</u>	<u>-</u>	<u>771,719,701</u>	<u>-</u>

In July 2016, the Commission awarded a contract to Chesapeake Tunnel Joint Venture to design and build the Parallel Thimble Shoal Tunnel Project (the "Project"). On October 24, 2016, to finance the costs of the Project, the Commission adopted and approved a new General Revenue Bond Resolution (the "2016 Resolution") along with three Supplemental Resolutions authorizing the issuance of \$321,515,000 First Tier General Resolution Revenue Bonds, Series 2016 (the "Series 2016 Bonds"), a loan from the United States Department of Transportation under the TIFIA program (the "TIFIA Loan") in the amount of up to \$338,528,672, plus capitalized interest and a loan from the Virginia Transportation Infrastructure Bank (the "VTIB Loan") in the amount of up to \$50,000,000, plus capitalized interest.

The Series 2016 Bonds are term bonds maturing from July 1, 2041 through July 1, 2055 with coupon interest rate of 4.0% to 5.0%. The proceeds from the Series 2016 Bonds, along with the proceeds of the TIFIA Loan and VTIB Loan and cash contributed by the District will be utilized to finance the development and construction of the Parallel Thimble Shoal Tunnel Project. The remaining portion of the proceeds from the Series 2016 Bonds will be utilized to (i) pay capitalized interest on a portion of the Series 2016 Bonds to and including July 1, 2021, (ii) to obtain a municipal bond debt service reserve insurance policy for the Series 2016 Bonds, and (iii) to pay the related issuance expenses, including bond insurance premiums.

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The Series 2016 Bonds are subject to optional redemption prior to maturity by the District on or after July 1, 2026, in whole or in part, at par plus accrued interest. The Series 2016 Bonds are subject to mandatory sinking fund redemption in part prior to maturity on July 1 of each year starting in 2035.

The 2041 Term Bond and the 2055 Term Bond are insured by Assured Guaranty Municipal Corporation. The Series 2016 Bonds Debt Service Reserve Fund Requirement of \$24,774,566 is secured by a debt service reserve fund policy also issued by Assured Guaranty Municipal Corporation.

The TIFIA Loan and the VTIB Loan are issued on the Subordinate Lien of the 2016 Resolution and bear interest rates of 2.88% and 2.90%, respectively. The loans do not incur interest until drawn which is in the Fall of 2018. Both loans have first semi-annual interest repayments commencing January 1, 2021 and first annual principal repayments commencing on July 1, 2025. Final repayment on both loans is July 1, 2054.

On August 13, 2019, the District issued First Tier General Resolution Revenue Bond Anticipation Notes, Series 2019 in the aggregate principal amount of \$378,140,000 pursuant to its General Revenue Bond Resolution, adopted by the Commission on October 24, 2016 (the "General Resolution") and its Fourth Supplemental Resolution, adopted by the Commission on July 9, 2019 (the "Fourth Supplemental Resolution"). The Series 2019 BANs will mature on November 1, 2023. The proceeds of the Series 2019 BANs will be used to provide funds to pay capitalized interest on the Series 2019 BANs, finance a portion of the costs of the Parallel Thimble Shoal Tunnel Project, and pay certain costs of issuing the Series 2019 BANs. The Series 2019 BANs are being issued in anticipation of the proceeds to be received by the District from disbursements requisitioned by the District in accordance with the terms of the TIFIA Loan Agreement and the VTIB Loan Agreement. The issuance by the District of the Series 2019 BANs as interim financing in anticipation of the receipt of the TIFIA Loan and VTIB Loan proceeds is expected to provide substantial interest cost savings for the District.

The underlying credit rating on the Series 2016 Bonds and the Series 2019 BANs are Baa2 and BBB by Moody's Investors Service and S&P Global Ratings, respectively. The TIFIA Loan is also rated Baa2 and BBB by Moody's Investors Service and S&P Global Ratings, respectively. The VTIB Loan is unrated.

The bond premiums for General Resolution Revenue Bonds are being accreted using the straight-line method, which is not materially different from using the effective-interest method, over the period the bonds will be outstanding.

Tolls and other revenues derived from the operation of the Bridge-Tunnel are pledged as security for the General Resolution Revenue Bonds. The General Revenue Bond Resolution includes covenants such as minimum toll rate covenant ratios and minimum debt service reserve requirements.

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### (6) Fair Value Measurements

The District utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The District determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at measurement date.
- Level 2 Inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantively the full term of the asset or liability.
- Level 3 Inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identified assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

The level in the fair value hierarchy within which a fair value measurement, in its entirety falls in, is based on the lowest level input that is significant to the fair value measurement in its entirety.

Portfolio investments are assigned a level based upon the observability of the inputs which are significant to the overall valuation. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

All of the District's investments in debt securities are in one of the four categories below and therefore the entire portfolio of debt securities is Level 2.

Debt securities classified in Level 2 are valued using the following approaches:

- U.S. Treasuries, U.S. Agencies, and Supra-Nationals: quoted prices for similar securities in the market are used to draw appropriate correlations;
- Corporate Notes and Municipal Bonds: relevant trade data, benchmark quotes and surveys of the dealer community are incorporated into the evaluation process;
- Certificates of Deposit: matrix pricing based on various market makers and dealers;
- Federal Agency Mortgage-Backed: solicited prices from market buy and sell side sources, including primary and secondary dealers, portfolio managers and research analysts are used.

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The fair value of investments in money market funds is based on the published net asset values per share of those funds. The District has the following recurring fair value measurements as of September 2021:

	Fair value measurements using			
	Fair value 2021	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments by fair value level:				
U.S. Treasuries	\$ 284,743,310	—	284,743,310	—
Supra-National Agency	948,194	—	948,194	—
U.S. Agencies	149,267,458	—	149,267,458	—
Federal agency mortgage-backed	1,100,042	—	1,100,042	—
Certificate of Deposit	2,729,702	—	2,729,702	—
Corporate notes	12,669,962	—	12,669,962	—
Commercial paper	4,654,437	—	4,654,437	—
Total investments by fair value level	456,113,105	—	456,113,105	—
Investments measured at the net asset value (NAV):				
Money market funds	229,264,442			
Total investments measured at the NAV	229,264,442			
Total investments measured at fair value	\$ 685,377,547			