



Chief Financial Officer's Report

September 20, 2016

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Topics

- Federal Transportation Grant Anticipation Revenue Notes (“GARVEEs”) Series 2016A**
- Bonus Obligation Authority**
- Federal Earmarks**
- August State Revenue Update**

Commonwealth Transportation Board: Federal Transportation Grant Anticipation Notes Series 2016A

Summary Terms of Offering*

Issuer	Commonwealth Transportation Board
Projects	Projects with GARVEE allocations in the Six-Year Improvement Program (SYIP)
Anticipated Ratings	Double-A Category
Pricing Date	October 2016
Security	The Series 2016 A bonds are payable from and secured by revenues (i) first, from Project specific reimbursements, (ii) legally available revenues from the TTF, and (iii) from other such funds designated by the General Assembly for such purposes.
Par (in millions)	\$381.0
Structure	Serial Bonds 2017 - 2031
Final Maturity (years)	15

* Preliminary and subject to change

GARVEE Program Overview

- ❑ **Chapter 830 and 868 of the Acts of Assembly of 2011 authorized the issuance of \$1.2 billion of GARVEEs.**
 - Successor program to Federal Highway Reimbursement Anticipation Notes (FRANs) authorized in 2000.
 - Limits the outstanding GARVEEs and FRANs to \$1.2 billion.
 - Limits the maturity to 20 years.
 - Secured first by project specific federal reimbursements and then by:
 - Legally available revenues from the TTF.
 - Other such funds designated by the General Assembly for such purposes.
 - All FRANs were paid off in September 2015.
- ❑ **Memorandum of Agreement (MOA) with Federal Highway Administration (FHWA) for the GARVEE program was executed in December 2011.**
- ❑ **Exhibit A of the MOA identifies the approved GARVEE supported projects and will be amended to include the projects included in this sale.**

GARVEE Issues

- ❑ **The Series 2016A Bonds will be the fourth GARVEE issue.**
 - ❑ **The CTB has previously issued three Series of GARVEEs:**
 - \$298 million in February 2012 to support the Downtown Tunnel/Midtown Tunnel/Martin Luther King Expressway
 - \$144 million in July 2012 to support the Downtown Tunnel/Midtown Tunnel/Martin Luther King Expressway and 95 Express Lanes
 - \$307 million in November 2013 to support the Route 460 Corridor Development Project and the I-495 Express Lanes Shoulder Use, Northern Section
- Bonds issued for and not needed for the Route 460 Development project were reallocated to active projects planned to be funded by GARVEEs
- ❑ **Proceeds from the 2016 issue will provide continued support to projects funded previously with GARVEE bonds and projects approved in round one of SMART SCALE**

Debt Service for the GARVEE Bonds

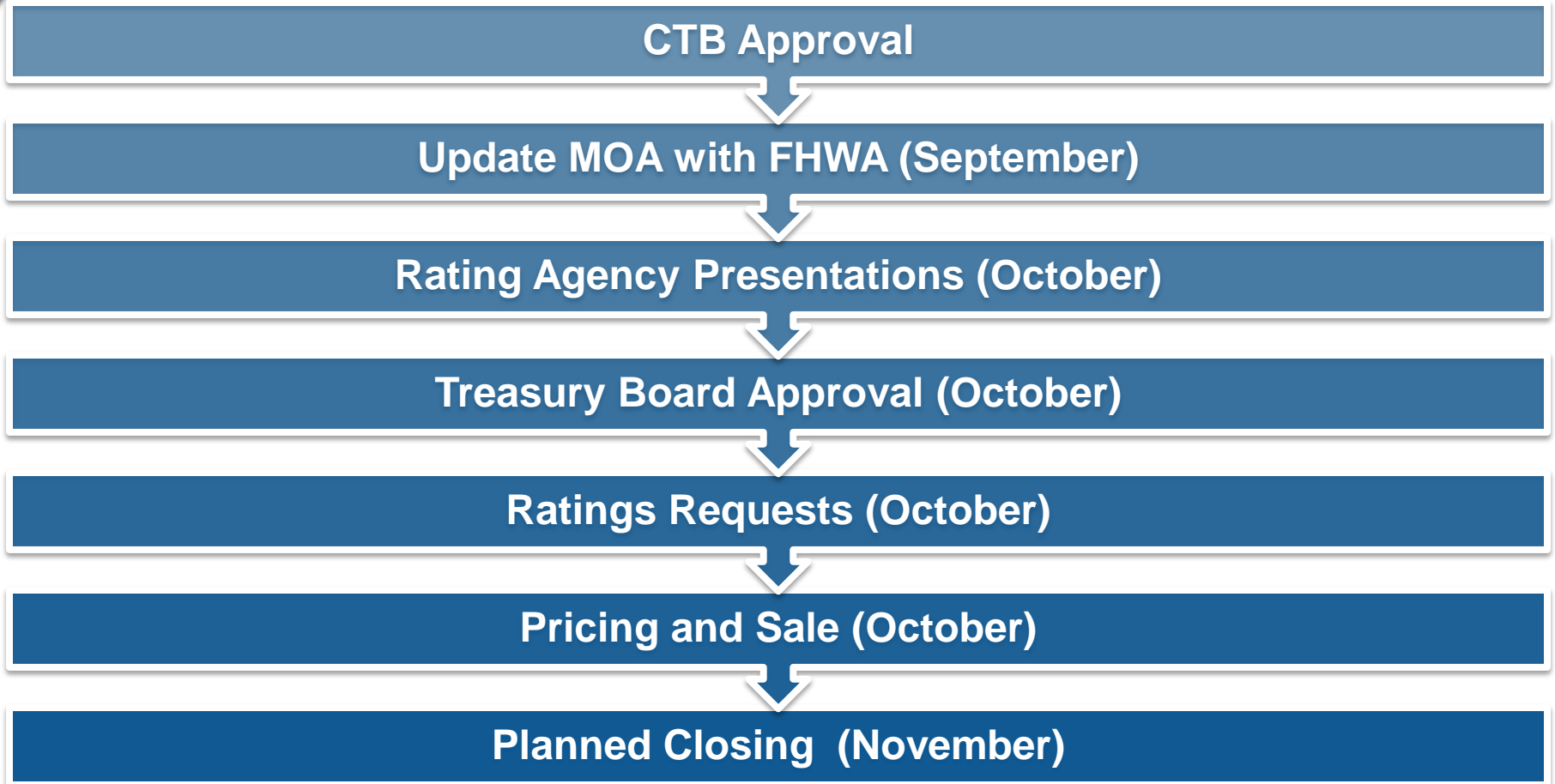
- ❑ **Virginia's GARVEE bonds are secured first by project specific federal reimbursements and then by,**
 - legally available revenues from the TTF,
 - from other such funds designated by the General Assembly for such purposes.
- ❑ **Bond issuances are limited to:**
 - Maximum outstanding amount cannot exceed \$1.2 billion
 - Debt service must have 4x coverage
- ❑ **After this sale:**
 - Outstanding GARVEEs - \$941 million (additional revolving authorization provided to SMART SCALE in future years)
 - Coverage – greater than 10x

Recent GARVEE Transactions

Issuer	Commonwealth Transportation Board	Ohio Department of Transportation	Michigan Department of Transportation	Rhode Island Department of Transportation	Montana Department of Transportation	Virgin Islands Finance Authority	North Carolina DOT
Underlying Ratings (M/S/F)	Aa1/AA/NR	Aa2/AA/NR	A2/AA/NR	A2/AA/NR	A2/AA/NR	NR/A/NR	A2/AA/A+
Pricing Date	11/13/2013	7/26/2016	7/14/2016	6/2/2016	3/16/2016	12/8/2015	5/20/2015
Security	Discretionary Pledge of TTF Revenues and Other Funds	Federal Highway Receipts and other lawfully available funds (state transportation monies apportioned and unspent by FY end)	Stand Alone	Stand Alone	Stand Alone	DSRF Replenishment	Stand Alone
Series	2013A	2016-1	2016	2016A	2016	2015	2015
Par (in millions)	\$273.39	\$217.57	\$607.11	\$230.28	\$22.54	\$89.88	\$265.18
Structure	Serial Bonds 2014-2028	Serial Bonds 2017-2028	Serial Bonds 2018-2027	Serial Bonds 2019-2024	Serial Bonds 2017-2023	Serial Bonds 2016-2025 Term Bonds 2030 & 2033	Serial Bonds 2016-2030
Final Maturity (years)	15	12	11	8	7	18	15
All-in-Rate¹	3.18%	1.86%	1.84%	1.87%	1.76%	3.80%	3.55%

¹Approximate All-in TIC based on information found in Official Statements

Next Steps for Virginia's Fourth GARVEE Issue



Bonus Obligation Authority

- ❑ Received the full \$90 million requested
- ❑ Funds will be used to augment current program
 - Increase funding for bridge and pavement restoration
 - Increase funding for SMART SCALE

Federal Earmarks

- **The Consolidated Appropriations Act, 2016, included a provision to permit certain earmarks to be repurposed**
 - If <10% of an earmark obligated, it could be repurposed, or
 - If >10% of an earmark obligated, must be final vouchered
 - Used on Federally eligible project
 - On project located within the state and within 50 miles of the original earmark
- **VDOT has identified approximately \$58 million in federal earmarks and match for repurposing**
- **September 12, 2016 - Deadline for submitting the list of earmarks to be repurposed**
- **Repurposed earmarks must be obligated by September 30, 2019**

Re-Purposing of the Earmarks

□ Policy Position

- Any additional discretionary funding made available for use by the Commonwealth Transportation Board should be allocated through either SMART SCALE, the Board's State of Good Repair program, or both

□ Recommend using the re-purposed earmarks to on-going projects within the same constriction district to “free up” funds for that district's District Grant Program in the second round of SMART SCALE

□ Exceptions - \$35 million

- Utilized \$21 million for the Richmond BRT and Intermodal Connector projects in the SYIP update
- Reserve I-73 related earmarks for work on Route 220 corridor

Earmark Repurpose Summary

Remaining earmark repurposed allocations were applied to existing SMART SCALE District Grant projects to free up allocations for Round 2

District	Total
Bristol	\$470,646
Culpeper	\$50,478
Hampton Roads	\$8,733,318
Lynchburg	\$2,638,396
NOVA	\$9,407,419
Richmond	\$427,279
Salem	\$1,094,278
Staunton	\$416,464
Grand Total	\$23,238,278

August Revenue Updates

- ❑ A reforecast of general fund revenues was completed in August 2016 as a result of FY 2016 actual revenues falling below forecast.
- ❑ The Governor provided an update on the Commonwealth's revenue collections and future expectations on August 26, 2016.
 - ❑ Related updates to the estimated revenue for Retail Sales and Use Taxes were provided for transportation
 - ❑ Full update of transportation revenues will be provided in December with the presentation of the Governor's Budget Bill for the 2017 General Assembly Session
- ❑ Total reduction of \$360 million statewide
- ❑ The impacts of the revenue changes will be incorporated the FY 2018 – 2023 SYFP update

August State Revenue Forecast Changes

(In millions)

STATEWIDE	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	TOTAL
Impact by Fund							
HMOF	\$ (7.9)	\$ (10.5)	\$ (10.9)	\$ (13.2)	\$ (15.1)	\$ (17.3)	\$ (74.9)
TTF	(24.3)	(39.5)	(46.2)	(52.4)	(58.2)	(64.5)	(285.1)
Total	\$ (32.2)	\$ (50.0)	\$ (57.1)	\$ (65.6)	\$ (73.3)	\$ (81.8)	\$ (360.0)

TTF Retail Sales Tax Distribution

Modal Distribution

Highway Construction	(15.7)	(25.6)	(30.0)	(34.0)	(37.8)	(41.5)	(184.6)
Transit	(2.9)	(4.8)	(5.6)	(6.4)	(7.1)	(7.7)	(34.5)
Ports	(0.8)	(1.4)	(1.6)	(1.8)	(2.0)	(2.2)	(9.8)
Airports	(0.5)	(0.8)	(0.9)	(1.0)	(1.2)	(1.3)	(5.6)
Mass Transit	(2.6)	(4.2)	(4.9)	(5.5)	(6.1)	(7.1)	(30.4)
IPROC	(1.7)	(2.8)	(3.2)	(3.7)	(4.1)	(4.7)	(20.2)
Total	\$ (24.3)	\$ (39.5)	\$ (46.2)	\$ (52.4)	\$ (58.2)	\$ (64.5)	\$ (285.1)

REGIONAL

Northern Virginia	(13.9)	(10.5)	(12.7)	(14.9)	(16.9)	(18.9)	(87.8)
Hampton Roads	(6.0)	(4.4)	(5.5)	(6.6)	(7.6)	(8.7)	(38.8)
Total	\$ (19.9)	\$ (14.9)	\$ (18.2)	\$ (21.5)	\$ (24.5)	\$ (27.6)	\$ (126.6)