

# I-81 Corridor TIFIA Loan Update

 Laura Farmer  
Chief Financial Officer

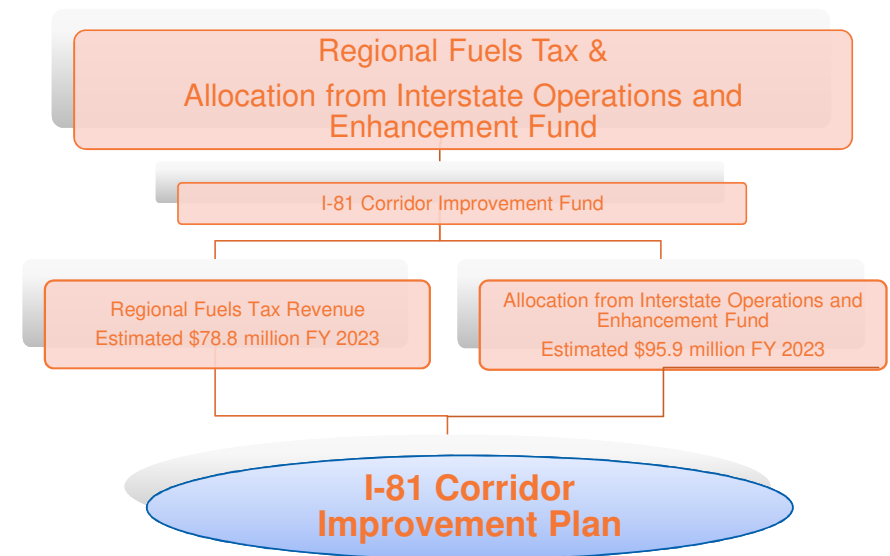
September 20, 2022

# Legislative Background

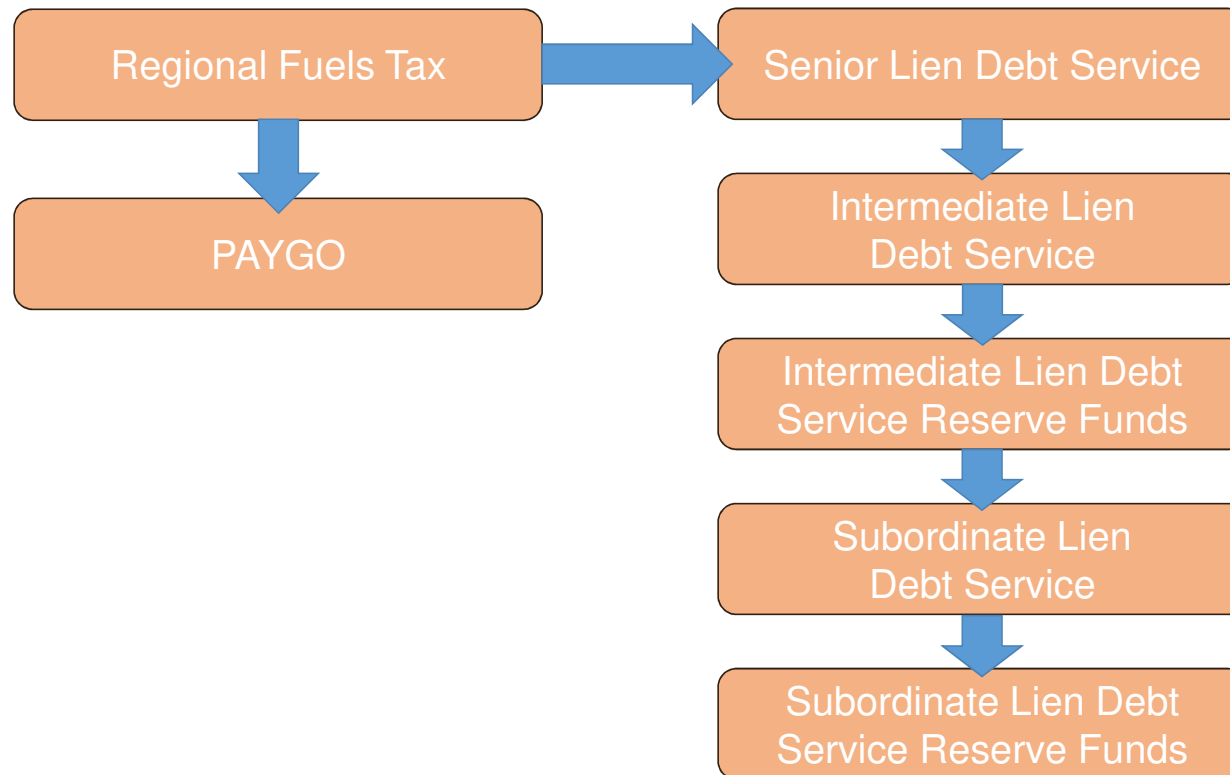
- **Chapters 837 and 846 (HB 2718 and SB 1716, 2019 Session)**
  - Created the Interstate 81 Corridor Improvement Program and Fund
  - Provided new transportation revenues to support the interstate highways and specifically I-81
- **Chapters 1230 and 1275 (HB 1414 and SB 890, 2020 Session)**
  - Authorized the sale and issuance of bonds with an aggregate principal amount not to exceed \$1 billion
  - Reduced the geographic footprint for collections of fuel tax revenues
  - Provided allocated funding from the Interstate Operations and Enhancement Program (IOEP)

# Funding Sources and Structure

- **Dedicated funding for the I-81 Program is deposited in the I-81 Corridor Improvement Fund and includes:**
  - Regional Fuels Tax along the I-81 Corridor
  - Share of statewide revenues from allocation of the IOEP
- **Regional Fuels Tax**
  - July 1, 2019 through June 30, 2020, additional 2.1% tax on gasoline and diesel sold by a distributor to a retail dealer
  - Effective July 1, 2020, changed to a per gallon rate subject to annual CPI-U adjustment
  - May be leveraged for debt service and paygo
- **Allocation from IOEP**
  - I-81 receives allocation equal to ratio of Vehicle Miles Traveled (VMT) on I-81 by vehicles Class 6 or higher to total VMT on all Interstate highways
  - Intended to provide funding for paygo



# Planned Use of Regional Fuels Tax



# Revenue Performance and Projections

Interstate 81 Improvement Fund (in millions) - Actual Receipts for FY 2020 - 2022 and Projections for FY 2023-2028

Source	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	Total
Regional Fuels Tax	\$69.8	\$71.4	\$76.1	\$78.8	\$80.0	\$80.7	\$81.4	\$83.2	\$85.2	<b>\$706.6</b>
Interstate Operations and Enhancement Program	22.6	71.3	68.1	95.9	101.3	110.1	109.2	107.6	107.8	<b>793.9</b>
Interest Income	0.7	0.7	0.5	0.5	0.5	0.5	0.5	0.5	0.5	<b>4.9</b>
<b>Total</b>	<b>\$93.1</b>	<b>\$143.4</b>	<b>\$144.7</b>	<b>\$175.2</b>	<b>\$181.8</b>	<b>\$191.3</b>	<b>\$191.1</b>	<b>\$191.3</b>	<b>\$193.5</b>	<b>\$1,505.4</b>

	(\$millions)
Project Expenditures through July 31, 2022 – from paygo and bond proceeds	\$ 117.4
Fund Balance as of July 31, 2022	\$290.4
Bond Proceeds Balance as of July 31, 2022	\$ 77.6

# I-81 Corridor Program – Existing Scope

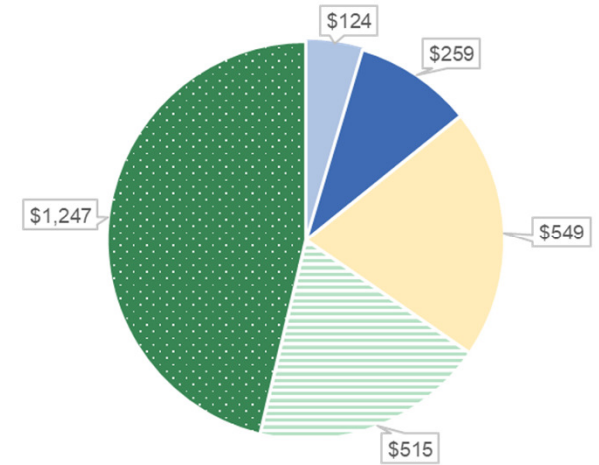
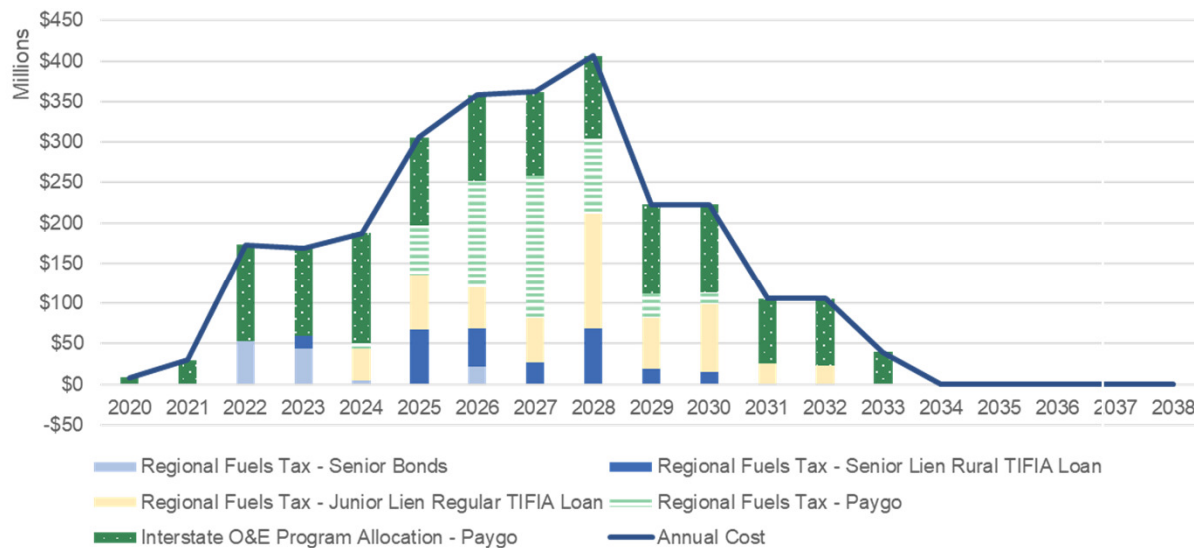
- Based on current revenue assumptions and debt model, estimated costs total \$2.69 billion\*, with projects implemented in phases through 2033

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	Total
<i>in millions</i>															
<b>Operational Improvements</b>	\$4	\$12	\$45	\$40	\$38	\$34	\$39	\$26	\$38						\$276
<b>Capital Improvements</b>															
Rural Projects	\$1	\$7	\$35	\$59	\$61	\$103	\$62	\$82	\$80	\$19	\$19				\$529
Regular Projects	\$3	\$10	\$93	\$70	\$88	\$169	\$257	\$254	\$288	\$204	\$204	\$105	\$105	\$40	\$1,889
sub-total	\$4	\$18	\$128	\$128	\$149	\$272	\$319	\$336	\$368	\$223	\$223	\$105	\$105	\$40	\$2,418
<b>Total</b>	\$8	\$30	\$172	\$168	\$187	\$306	\$358	\$362	\$406	\$223	\$223	\$105	\$105	\$40	\$2,694

\* Preliminary and subject to change

# I-81 Program - Preliminary Funding by Year and Source

- Well-balanced funding mix of paygo and multi-lien debt
- TIFIA loans are shown based on expected cash flow draws with loans committed in advance
- Healthy cash liquidity maintained (preliminary minimum target of \$25 million)



# I-81 Program - Debt Issuance Plan

- The I-81 Regional Fuels Tax revenues will support all debt issued
- Will not impact debt capacity of the Commonwealth
- Similar to bond programs implemented by NVTa and HRTAC backed by regional revenues
- Mixture of municipal bonds and Transportation Infrastructure Financing Innovation Act (TIFIA) loans over the life of the program

	2021 Bonds <sup>(1)</sup>	2022 TIFIA Loans <sup>(2)</sup>	Future Financings	Total
<i>Funded Costs (in \$MM)</i>				
Senior Lien Bonds	\$102	\$0	\$22	\$124
Senior Lien Rural TIFIA Loan	\$0	\$15	\$244	\$259
Subordinate Lien Regular TIFIA Loan	\$0	\$83	\$467	\$549
<i>Total</i>	\$102	\$98	\$733	\$932

Notes:

(1) Issued in August 2021 & includes both bond and and premium amounts

(2) Expect to close in December 2022



# Results of Municipal Bond Offering – Series 2021

Summary Terms of Offering/Results	
Issuer	Commonwealth Transportation Board
Project(s)	UPC 116203 - MM136 to MM142 Add Lane in Each Direction Roanoke County
Ratings	Aa1 (Moody's) and AA- (S&P)
Pricing Date	August 4, 2021
Security	Regional Fuels Tax Revenue
Par Amount	\$80,990,000*
Structure	Serial Bonds 2023-2041, Term Bonds 2046, 2051, and 2057
Final Maturity (years)	36
True Interest Cost (TIC)	3.01%

\*Resulted in total bond proceeds of \$102 million which includes \$21 million of premium.

# Transportation Infrastructure Finance and Innovation Act (TIFIA) Loan

- **Proposed structure allows for maximized TIFIA program benefits**
  - Rural loan – allows for financing of up to 49% of project costs at one-half 30-year U.S. Treasury rate
  - Regular/non-rural loan – allows for financing of up to 33% of project costs at 30-year U.S. Treasury rate
- **Repayment term – 35 years after substantial completion**
- **Flexible payment structure and draw period of up to one-year post substantial completion**
- **TIFIA Program allows VDOT to advance projects with the use of debt financing**
  - Financing approximately \$808 million\* loans through multiple applications
- **Projects (UPCs) to be packaged:**
  - Rural v. regular/non-rural projects
  - Based on project readiness/schedules and cash flow

\* Subject to change

# TIFIA Loan Approach

- **First series of TIFIA Loans are in progress**
  - Submitted two TIFIA Letters of Interest (LOI) initially in July 2021 for the 2022 Loans

2022 TIFIA Loans		
Type	Total Project Costs (millions)*	Estimated Loan Amount (millions)*
Rural Projects	\$41.7	\$20.4
Regular/Non-rural Project	\$232.7	\$81.3
Total	\$274.4	\$101.7

\* Estimates in 2021; estimates have been updated (please see page 13 and 14); subject to final negotiation and subject to change

# 2022 TIFIA Loans – Rural & Regular Projects\*

Senior Lien 2022 Rural TIFIA Loan Funded Projects			
UPC(s)	Project Description	Project Location	Project Cost (millions)
115801, 116245	Extending northbound and southbound Exit 205 acceleration lanes	Rockbridge County	\$4.02
115803, 116244, 116270	Extending northbound Exit 291 acceleration lane, northbound Exit 304 acceleration lane, and southbound Exist 296 acceleration lane	Frederick and Shenandoah Counties	2.61
116158, 116174, 116159	Extending northbound deceleration and southbound acceleration lanes	Smyth County	5.58
115345, 115346	Extend southbound deceleration lane from MM 26.7 to 26.8 and 25.9 to 26.1	Washington County	0.89
115795	Extend acceleration lane at Exit 89	Pulaski County	0.76
116171	Extend southbound acceleration lane at MM 16.6	Abingdon	1.41
116155	Extend northbound deceleration lane at MM 19.2	Abingdon	1.33
116165	Extend southbound deceleration lane at MM 84.3	Wythe County	1.49
116162	Extend northbound deceleration lane at MM 67.3	Wytheville	1.20
116173	Apply high friction epoxy to southbound curve Exit 39	Smyth County	1.53
116161	Design Build to extend northbound acceleration lane at MM 48.1	Smyth County	9.88
<b>Total Rural Projects Costs</b>			<b>\$30.69</b>
Subordinate Lien 2022 Regular TIFIA Loan Funded Projects			
116203	MM 136 to MM 139 adding lane in each direction	Roanoke County	\$232.72
<b>Total Regular Project Costs</b>			<b>\$232.72</b>
<b>Total 2022 TIFIA Project Costs</b>			<b>\$263.41</b>

\* Estimates as of August 2022; subject to change

# 2022 TIFIA Loans' Structures

- **Fixed interest rates based on a US Treasury Rate per TIFIA Guidelines**
  - Senior Lien Rural loan – at one-half 30-year U.S. Treasury rate
  - Subordinate Lien Regular loan – at 30-year U.S. Treasury rate

	Senior Lien Series 2022 Rural Loan*	Subordinate Lien Series 2022 Regular Loan*
Drawdown	Single Draw in June 2023	Monthly Draws from May 2025 to June 2025
Capitalized Interest	-	Through Nov 2025
First Interest Payment	Nov 2023	May 2026
First Principal Payment	May 2024	May 2026
Final Payment	May 2057	May 2060
Amortization	Level Debt Service	Level Debt Service

\*Preliminary, subject to change.

# Additional Debt and Reserve Funding Requirements

- **Debt Service Coverage Thresholds**
  - 2.00x senior lien debt service coverage
  - 1.50x intermediate lien debt service coverage
  - 1.35x total debt service coverage
- **Intermediate Lien (if any) Debt Service Reserve Fund**
  - Requirement: 100% maximum annual debt service
- **Subordinate Lien TIFIA Debt Service Reserve Fund**
  - Requirement: 140% of maximum annual debt service
  - Funded by no later than the later of (a) the date of the final disbursement and (b) the substantial completion date

## 2022 TIFIA Loans – Preliminary Schedule\*



\* Subject to change