



COMMONWEALTH of VIRGINIA  
*Office of the*  
SECRETARY of TRANSPORTATION

**Virginia Transportation Infrastructure Bank  
Advisory Panel Recommendation  
Chesapeake Bay and Bridge Tunnel District  
Parallel Thimble Shoal Tunnel Project**

Commonwealth Transportation Board  
Deputy Secretary Nick Donohue  
December 9, 2015



# Parallel Thimble Shoal Tunnel Project Chesapeake Bay Bridge and Tunnel District- VTIB Application

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- The District submitted an updated application in August 2015 requesting a loan of \$50 million plus capitalized interest for up to 33 years following completion of construction.
- The project is expected to be constructed under Design-Build Contract estimated at \$917 million. The award is expected by May 2016 with construction starting in July 2016.
- The project is phase IIA of CBBT's efforts to build a parallel facility to the entire Bridge Tunnel. Phase IIB will not begin until it is financially feasible.
- The requested VTIB loan will be secured by a subordinate pledge of toll revenue.

# Parallel Thimble Shoal Tunnel Project





# Parallel Thimble Shoal Tunnel Project

## Additional Activities for Project Advancement

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- **Project is part of an ongoing NEPA Process.**
  - There are no right-of-way acquisitions and only one practicable alternative to cross the Thimble Shoal Channel.
- **The Following Permits and Approval are Required:**
  - **Federal approval of a Finding of No Significant Impact (FONSI).**
    - Approved and signed by the FHWA July 31, 2015.
  - **Section 103 Permit to dispose of dredged material (EPA and USACE).**
    - Work started in September 2014 and expected to be completed by the end of 2015.
- **Other agencies actively engaged in the permit process:**
  - U.S. Army Corps of Engineering (USACE).
  - Virginia Marine Resources Commission.
  - Virginia Department of Environmental Quality (DEQ).
  - U.S. Coast Guard.

# Parallel Thimble Shoal Tunnel Project Traffic and Revenue Study

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- **Steer Davies Gleave (SDG) issued a draft T&R study report on 12/15/14 and identified two main segments of traffic**
  - **Local Trips.**
  - **Long Distance Trips.**
- **CBBT Revenue is Divided relatively even between five categories**
  - **Auto off-peak weekday (18.7%).**
  - **Auto off-peak weekend (22.0%).**
  - **Auto peak weekday (15.6%).**
  - **Auto peak weekend (22.4%).**
  - **Truck (21.4%).**
- **Actual revenues collected in FY2015 exceeded the revenues forecasted in the T&R Study by \$785,856 or 1.5%.**

# Parallel Thimble Shoal Tunnel Project

## Applicant Project Eligibility and Screening Criteria

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- **The application and CBBT meet the Bank's Mandatory Criteria.**
  - **CBBT is an Eligible Borrower under the Act.**
    - Meets definitions of Governmental Entity as a political subdivision of the Commonwealth.
  - **The Project is a local transportation priority.**
    - Included within Hampton Roads Transportation Planning Organization 2034 Long-Range Transportation Plan and Hampton Roads 2015-2018 Transportation Improvement Program.
- **Based on the VTIB Screening and Scoring Criteria, CBBT's application scored 27 out of 37 total possible points.**
  - **VTIB loan will represent less than 5% of the total project financing.**
  - **Application States VTIB funds will help keep the project on schedule and make it financially feasible.**
  - **Project improves air quality, safety, and enhances the state transportation network.**

# Parallel Thimble Shoal Tunnel Project Base Case Sources and Uses

| SOURCES                                  |                        | USES                                 |                        |
|--|------------------------|--------------------------------------|------------------------|
| <b>First Tier Toll Revenue Bonds</b>     |                        | <b>Construction Cost</b>             |                        |
| Current Interest Bonds                   |                        | First Tier Toll Revenue Bonds        | 310,910,688            |
| Par                                      | 295,115,000            | TIFIA Loan                           | 354,116,036            |
| Premium/Discount                         | 6,444,629              | VTIB Loan                            | 50,000,000             |
| <i>Total</i>                             | 301,559,629            | General Fund Transfer                | 202,265,724            |
| Capital Appreciation Bonds               | 0                      | <i>Total</i>                         | 917,292,448            |
| Convertible Capital Appreciation Bonds   | 29,992,917             |                                      |                        |
| <b>Total Bond Proceeds</b>               | 331,552,546            | <b>Interest During Construction</b>  |                        |
|  |                        | Bonds Interest                       | 81,364,677             |
| <b>Subordinate TIFIA Loan</b>            | 354,116,036            | TIFIA Interest                       | 9,425,855              |
|  |                        | VTIB Interest                        | 1,329,658              |
| <b>Subordinate VTIB Loan</b>             | 50,000,000             | <i>Total</i>                         | 92,120,190             |
|  |                        |                                      |                        |
| <b>General Fund Transfer</b>             |                        | <b>Reserve Funds</b>                 |                        |
| Construction Cost                        | 202,265,724            | First Tier Debt Service Reserve Fund | 32,510,792             |
| Cash Defeasance                          | 99,880,100             | TIFIA Loan Reserve Fund              | 9,716,096              |
|  |                        | VTIB Loan Reserve Fund               | 1,371,880              |
| Reserve Funds                            | 14,587,976             | O&M Reserve Fund                     | 3,500,000              |
| Swap Termination                         | 2,516,156              | <i>Total</i>                         | 47,098,768             |
| <i>Total</i>                             | 319,249,956            |                                      |                        |
|  |                        | <b>Defeasance Cost</b>               | 99,880,100             |
| <b>Toll Revenues During Construction</b> | 92,120,190             | <b>Swap Termination</b>              | 2,516,156              |
| <b>Construction Fund Earnings</b>        | 1,614,538              | <b>Cost of Issuance</b>              | 1,625,540              |
| <b>Existing DSRF Transfer</b>            | 14,378,000             | <b>Underwriter's Discount</b>        | 2,275,755              |
|  |                        | <b>Contingency</b>                   | 222,309                |
|  |                        |                                      |                        |
| <b>Total Sources</b>                     | <b>\$1,163,031,266</b> | <b>Total Uses</b>                    | <b>\$1,163,031,266</b> |

# Parallel Thimble Shoal Tunnel Project

## Sources of Funding

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- **First Tier Toll Revenue Bonds.**
  - \$332 million with anticipated rating to be at least investment grade.
- **TIFIA Loan.**
  - \$354 million- Estimated based on 33% of eligible project costs.
  - Subordinate to First Tier Bonds; on parity with VTIB loan.
- **VTIB Loan.**
  - \$50 million plus capitalized interest.
  - Subordinate to First Tier Bonds; on Parity with TIFIA loan.
- **District General Funds.**
  - \$202 million in cash contributed for construction.
  - \$100 million in cash for defeasance of current outstanding debt.
  - \$17 million in reserve funds and costs to terminate existing swap.



# Parallel Thimble Shoal Tunnel Project VTIB Loan Structuring

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- **Three year drawdown of funds.**
  - First draw of \$14.5 million in FY2019.
  - Second draw of \$19.4 million in FY2020.
  - Final draw of \$16.1 million in FY2021.
- **Capitalized Interest through FY2024 of \$3.4 million.**
- **Repayment.**
  - Interest payments begin FY2021 (partially capitalized).
  - Principal payments begin FY2025.
  - Minimum annual principal payment \$200,000 (first four fiscal years).
- **Fixed Interest Rate based on AAA GO MMD per VTIB Guidelines.**

# Parallel Thimble Shoal Tunnel Project Debt Service Coverage

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- **Existing Debt Service Coverage.**
  - **General Resolution Bonds:** minimum of 1.94x and maximum of 3.73x over the last five years.
  - **Debt Service averaged \$13.1 million annually over the last five fiscal years.**
- **Projected Debt Service Coverage (Base Case).**
  - **First Tier Bonds:** minimum coverage of 2.50x and average coverage of 3.85x.
  - **VTIB and TIFIA loan:** minimum coverage of 1.69x and average coverage of 1.96x.

# Parallel Thimble Shoal Tunnel Project Advisory Panel Recommendations

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- **The Advisory Panel recommends the CTB approve the loan request.**
- **VTIB Loan**
  - **Amount of \$50 million plus capitalized interest, secured by a subordinate pledge of Toll Revenue.**
  - **Loan term up to 33 years after substantial completion.**
  - **Standard rate based upon VTIB interest rate methodology.**
    - Locked in at 2.90% based on AAA GO MMD scale points on Wednesday, December 2, 2015, one week prior to the CTB meeting.
  - **Successful concurrent closing of First Tier Bonds and TIFIA loan.**
  - **Debt Service Reserve Funds for First Tier Bonds, TIFIA and VTIB loan.**
  - **Minimum Debt Service Coverage Covenant of 1.20X.**
  - **Minimum Liquidity of \$25 million as proposed in the Base Case Plan of Finance.**
  - **Upon CTB approval, additional specific loan terms will be determined as project, loan schedule, and related documents are finalized.**

# Parallel Thimble Shoal Tunnel Project Risk Considerations

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- **Interest Rate Risk.**
  - Interest rate cushion of 20 bps added to the First Tier Bonds, VTIB and TIFIA rate indices.
  - Base case estimates are based on historical rate averages which are higher than current market rates.
- **Traffic Volume and Revenue Growth.**
  - Approved 10% toll increase with increases every five years thereafter.
  - Traffic growth in T&R Study is based on historical growth rates.
- **Ability to issue \$332 million in investment grade debt.**
  - Current debt rated A- by Fitch with existing debt to be defeased prior to new issuance.
  - Indicative investment grade ratings from Moody's and S&P given.
- **Impact of Natural Disasters.**
  - Adequate insurance coverage requirement.

# Projected Status of VTIB

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- **To date, VTIB has provided assistance to four projects:**
  - **City of Chesapeake (Dominion Boulevard) - \$152 million loan approved by the panel and the CTB in January 2012 and closed on November 15, 2012.**
  - **Route 460 Funding Corporation (Route 460 Corridor Improvement Project) - \$80 million line of credit approved by the panel and the CTB in June 2012 and closed on December 20, 2012.**
    - Terminated on September 17, 2015.
  - **Industrial Development Authority of Loudoun County (Pacific Boulevard Project) - \$36 million loan approved by CTB in April 2013 and closed on December 12, 2013.**
  - **City of Alexandria (Potomac Yard Metrorail Station)- \$50 million loan approved by the panel and CTB in January 2015. Expected to close in early 2016.**
- **Total capitalization to date including interest of \$323 million.**
- **Assuming the amended CBBT loan is approved, the Bank will have approximately \$36.8 million available.**