COMMONWEALTH *of* VIRGINIA
Office of the
SECRETARY *of* TRANSPORTATION

Virginia Transportation Infrastructure Bank (VTIB)

David L. Tyeryar
Deputy Secretary of Transportation

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DRPT
Virginia Department of Rail and Public Transportation

MVDB
Motor Vehicle Dealer Board
COMMONWEALTH OF VIRGINIA

VDOT
Virginia Department of Transportation

Current Situation

- **Public funds for transportation are insufficient**
- **Private funding is limited**
- **Credit is becoming essential**
  - **State restricted by debt capacity**
  - **Federal Transportation Infrastructure Finance and Innovation Act (TIFIA) loan program is oversubscribed**
  - **State's federally chartered State Infrastructure Bank is small**
  - **Virginia Toll Facilities Revolving Account has modest balance**

Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA)

- **Can provide up to one third of costs**
- **30 Year loans with a 4.6% interest rate**
- **It is estimated that for every $1 in TIFIA loan, it leverages $10 in credit assistance and $30 in loan assistance**
- **I495 Beltway HOT Lanes project has a TIFIA loan**
- **TIFIA applications for I95/395 HOT Lanes, Midtown Tunnel, and Dominion Boulevard**
- **Applications for TIFIA far exceed available funds**

Proposed - VTIB

- Amend Code to establish Virginia Transportation Infrastructure Bank (VTIB)
- Capitalized solely with non-Federal funds
- Not subject to Federal regulations
  - Reduces project costs
  - More timely project delivery
- Similar to Literary Fund and Virginia Resources Authority Loans

Function - VTIB

- Low interest loans with maturity of 20-30 years
- Direct loans to
  - localities, governmental entities and authorities, railroads, transit companies, and private sector companies
- Construction and capital maintenance of the Commonwealth's transportation infrastructure and transit systems

Funding - VTIB

- Initial –
  - Proceeds from privatization of ABC stores
  - Supplemented with one-time VDOT funds – identified in Audit

- Supplemental –
  - Private sector investment – project-by-project basis

- Other Potential Sources –
  - Year-end General Fund Revenues – formula driven
  - Appropriations of the General Assembly
  - Possible dedicated revenue streams

- Perpetuation/Repaying Loans –
  - Tolls, user fees, other dedicated revenue (special assessments, tax increment financing), local taxes and fees

Leveraging - VTIB

- What is leveraging?
  - – The use of borrowed funds to increase loan capacity
  - – Increases upfront loan capacity
  - – Used when demand exceeds current capacity
  - – Does not increase program capacity in the long term
- Assumes loans are made at below market rates
- Used for
  - Interest subsidies
  - Subsidies for PPTA projects
  - Diversified loan portfolio
  - Credit enhancement
  - Leverage in capital markets
  - Bond issuance
  - Sum sufficiency

Project Savings

Financing $100 million with Private Activity Bonds priced to yield 7%* would incur interest costs of approximately $140 million, assuming a term of 20 years with annual payments and bullet principal payments at maturity.

VTIB Loan Alternatives		
VTIB Interest	Interest Cost with SIB	Potential Project Savings
6%	$120 Million	**$20 Million**
5%	$100 Million	**$40 Million**
4%	$80 Million	**$60 Million**
3%	$60 Million	**$80 Million**
2%	$40 Million	**$100 Million**

*Based on last major toll road financing,Texas Private Activity Bond Surface Transportation Corporation (LBJ/IH-635), June 2010, Private Activity Bonds priced to yield 7-7.25%

Leveraging - VTIB

- Initial funding from privatization of ABC stores
  - Provides “seed capital”
  - Supplemented with one-time VDOT funds – identified in audit
  - Leverages bond investors
    - Increases program capacity 4 fold depending on credit worthiness of loan portfolio
  - Direct loans are made to public entities with eligible transportation improvement projects
- Leverage the initial loans to make more loans
  - VTIB makes loans and begins receiving repayments, has asset base
    - loan portfolio, which can be leveraged to create capital for additional loans
  - Additional capital to make more loans created through issuance of Revenue Bonds
  - Revenue Bonds <u>not</u> backed by Full Faith And Credit of Commonwealth.
  - Credit ratings will play important factor in ability of VTIB to leverage maximum capacity for future Revenue Bonds

Eligibility - VTIB

- Project Selection
  - Quality of application
  - Application process to be developed
  - Balanced loan portfolio to maximize credit rating
  - Application criteria – feasibility, creditworthiness, regional or statewide significance, economic benefits, availability of dedicated revenue sources, identified in State or regional planning process

- Projects
  - Construction, reconstruction, rehabilitation, or replacement of any interstate, state highway, toll road, tunnel, local road, or bridge within the jurisdiction of the Commonwealth
  - Construction, reconstruction, rehabilitation, replacement, or acquisition of any transit and passenger or freight rail facility or vehicle
  - Port Facilities

Grants - VTIB

- Counties, cities, and towns may apply for grants

- Limited use
  - Not repaid – no revolving funds
  - Limited in number and dollar value annually
  - Must demonstrate grant is sole method available for funding

- Projects of local and regional significance

- Economic benefit – beyond job creation during construction

Benefits - VTIB

- Provides financing to projects of any size
- Revolving nature
  - Projects completed - loans repaid – funds lent for other projects
- Leverage federal and other State resources
- Attract public and private investment in transportation
- Will not implicate the state’s creditworthiness

Questions?