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
- I-495 Beltway HOT Lanes project has a TIFIA loan
- TIFIA applications for I-95/395 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.

<table>
<thead>
<tr>
<th>VTIB Interest</th>
<th>Interest Cost with SIB</th>
<th>Potential Project Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>6%</td>
<td>$120 Million</td>
<td>$20 Million</td>
</tr>
<tr>
<td>5%</td>
<td>$100 Million</td>
<td>$40 Million</td>
</tr>
<tr>
<td>4%</td>
<td>$80 Million</td>
<td>$60 Million</td>
</tr>
<tr>
<td>3%</td>
<td>$60 Million</td>
<td>$80 Million</td>
</tr>
<tr>
<td>2%</td>
<td>$40 Million</td>
<td>$100 Million</td>
</tr>
</tbody>
</table>

*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 *not* 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?