



COMMONWEALTH of VIRGINIA
Office of the
SECRETARY of TRANSPORTATION

**Virginia Transportation Infrastructure
Bank (VTIB)**

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October 20, 2010



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 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?