



I-81 Project Finance Update

Series 2021 Authorization

 Laura Farmer
Chief Financial Officer

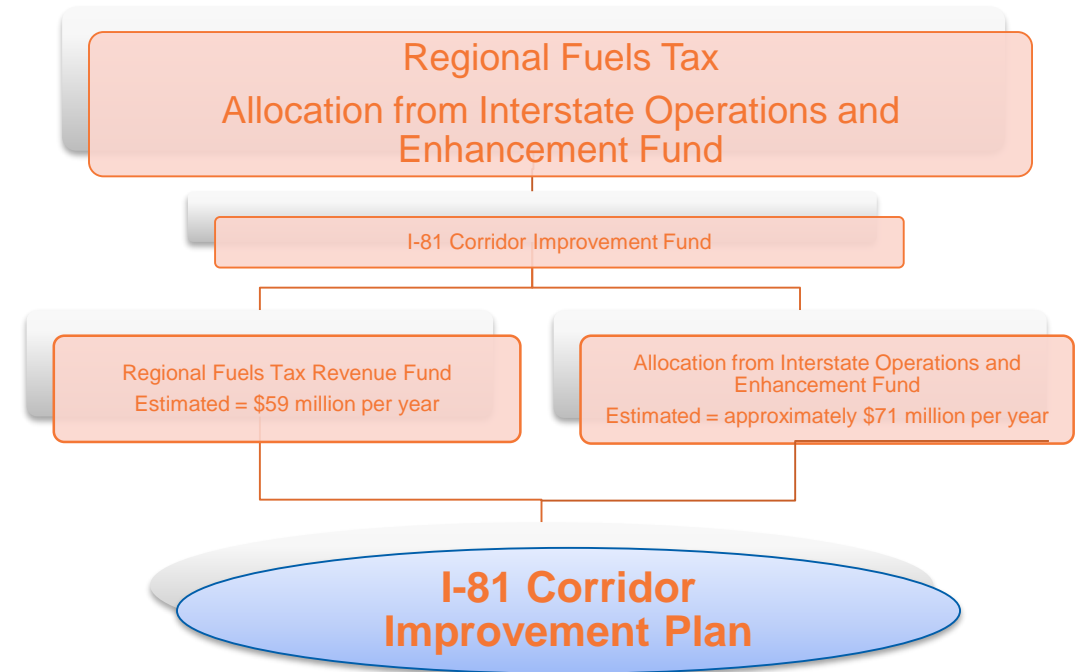
April 20, 2021

Legislative Background

- **Chapters 837 and 846 (HB 2718 and SB 1716)**
 - 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)**
 - Authorized the sale and issuance of bonds with an aggregate principal amount not to exceed \$1 billion
 - Changed the localities contributing to fuel tax revenue for I-81 Fund to those through which I-81 passes or cities wholly encompassed by a county through which I-81 passes
 - Provided allocated funding through 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
 - May provide funding only for paygo



Revenue Performance and Projections

Interstate 81 Improvement Fund (in millions) - Actual Receipts for FY 2020 and Projections for FY 2021-2027

Source	FY 2020	FY 2021*	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	Total
Regional Fuels Tax	\$69.8	\$59.3	\$61.0	\$62.8	\$64.2	\$65.0	\$66.1	\$67.7	\$515.9
Interstate Operation and Enhancement Program	22.6	71.3	69.4	69.4	69.4	72.7	76.3	72.3	523.4
Interest Income	0.7	0.5	0.5	0.5	0.5	0.5	0.5	0.5	4.2
Total	\$93.1	\$131.1	\$130.9	\$132.7	\$134.1	\$138.2	\$142.9	\$140.5	\$1,043.5

*FY 2021 regional fuels tax collections as March 31, 2021 were \$53.8 million

Project Expenditures through March 31, 2021	\$24.8
Cash Balance on March 31, 2021	\$123.1

I-81 Corridor Program – Project Costs

- **Project costs total \$2.87* billion over life of program**
 - Comprised of operational and capital improvements
 - No single project exceeds 11% of the Program
 - Projects are implemented in phases through 2038 based on current revenue assumptions and debt model
 - Projects are independent of each other

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	Total
<i>in millions</i>																				
Operational Improvements	\$11	\$16	\$12	\$45	\$43	\$38	\$39	\$39	\$39	\$14	\$14	\$15	\$15	\$15	\$16	\$16	\$17	\$17	\$18	\$441
Capital Improvements																				
Rural Projects	\$1	\$2	\$29	\$26	\$36	\$87	\$64	\$114	\$114	\$45	\$21									\$540
Regular Projects	\$2	\$1	\$58	\$58	\$58	\$168	\$244	\$180	\$218	\$154	\$154	\$84	\$84	\$121	\$77	\$77	\$77	\$37	\$37	\$1,889
sub-total	\$3	\$3	\$87	\$85	\$95	\$255	\$308	\$294	\$333	\$199	\$175	\$84	\$84	\$121	\$77	\$77	\$77	\$37	\$37	\$2,429
Total	\$14	\$19	\$100	\$130	\$138	\$293	\$347	\$333	\$372	\$213	\$189	\$98	\$99	\$136	\$93	\$93	\$94	\$55	\$55	\$2,870

* Preliminary and subject to change

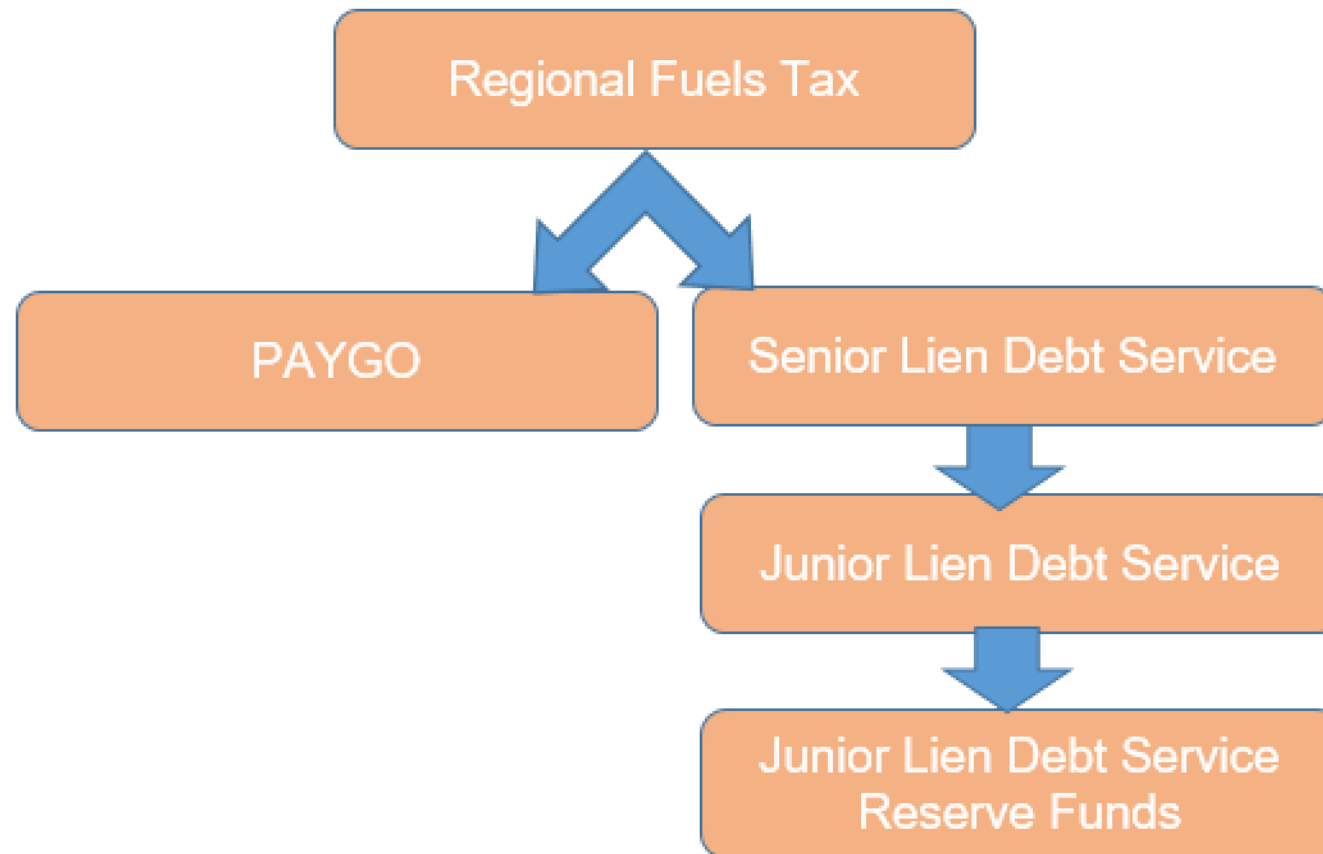
Debt Issuance Plan

- 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 NVTAA 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 Financings	Future Financings	Total
<i>Funded Costs (in \$MM)</i>			
Senior Lien Bonds	\$99	\$30	\$129
Senior Lien Rural TIFIA Loan	\$19	\$258	\$277
Junior Lien Regular TIFIA Loan	\$77	\$517	\$594
<i>Total</i>	\$195	\$805	\$1,000

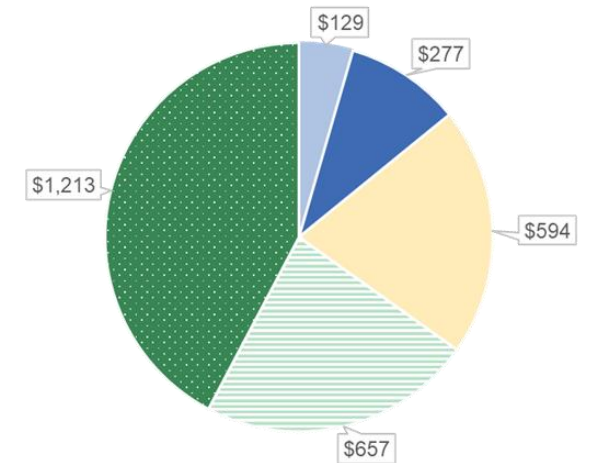
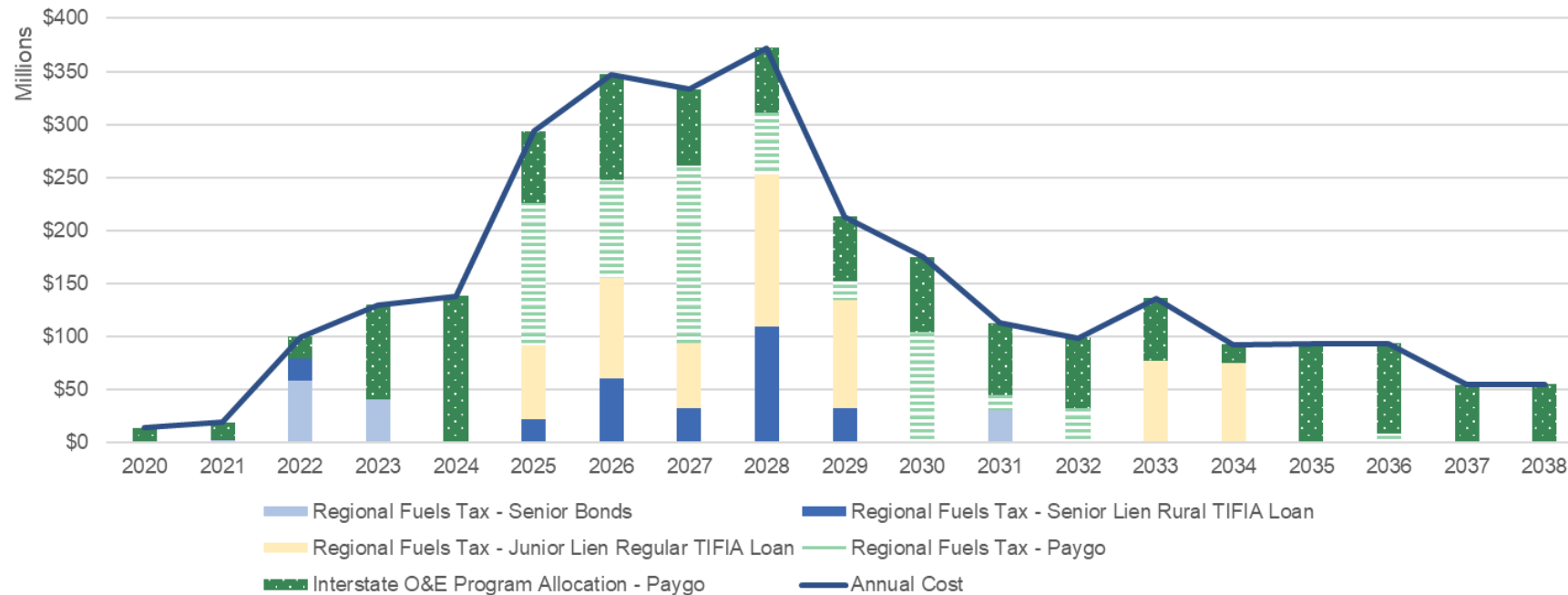
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Planned Use of Regional Fuels Tax



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)



Inaugural Municipal Bond Offering – 2021 Series

- **Negotiated sale**
- **Allows additional focus on introducing new program to investor community**
- **Both HRTAC (2018) and NVTAs (2014) sold inaugural bonds on a negotiated basis**

Summary Terms of Offering*	
Issuer	Commonwealth Transportation Board
Project(s)	UPC 116203 - MM136 TO MM142 Add Lane in Each Direction Roanoke County
Anticipated Ratings	Double-A Category
Pricing Date	July 2021*
Security	Regional Fuels Tax Revenue
Par Amount	\$90 million*
Structure	Serial Bonds 2022-2055*
Final Maturity (years)	35*

* Preliminary and subject to change

Series 2021 Bond Sale –Schedule*

April 2021

- Request confidential indicative ratings
- Present financing plan to CTB

May 2021

- Request CTB approval to issue Series 2021

June 2021

- Request Treasury Board approval to issue Series 2021
- Request formal public ratings

July 2021

- Bond pricing
- Closing

* Preliminary and subject to change

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**
- **Flexible draw period of up to one-year post substantial completion**

TIFIA Debt Issuance Approach

- Will assist in financing approximately \$870 million over the program through multiple loans
- Projects (UPCs) to be packaged:
 - Rural v. regular/non-rural projects
 - Based on project readiness/schedules and cash flow
- Anticipate submitting two TIFIA Letters of Interest (LOI) in late spring/early summer for the 2022 loans

TIFIA Loans – 2022		
Type	Total Project(s) Cost* (millions)	Anticipated Loan Amount* (millions)
Rural projects	\$39.3	\$19.3
Regular/non-rural project(s)	\$232.7	\$76.8
	\$272.0	\$96.1

* Preliminary and subject to change

2022 TIFIA – Projects*

2022 Rural TIFIA			
UPC(s)	Project Description	Project Location	Project Cost (millions)
115801, 116245	Extending northbound and southbound Exit 205 acceleration lanes	Rockbridge County	\$2.75
115803, 116244, 116270	Extending northbound Exit 291 acceleration lane, northbound Exit 304 acceleration lane, and southbound Exist 296 acceleration lane	Frederick and Shenandoah Counties	3.71
116158, 116174, 116159	Extending northbound deceleration and southbound acceleration lanes	Smyth County	5.31
115345	Extend southbound deceleration lane from MM 26.7 to 26.8	Washington County	0.27
115346	Extend southbound acceleration lane from MM 25.9 to 26.1	Washington County	0.68
115795	Extend acceleration lane at Exit 89	Pulaski County	0.82
116171	Extend southbound acceleration lane at MM 16.6	Abingdon	1.62
116155	Extend northbound deceleration lane at MM 19.2	Abingdon	1.60
116165	Extend southbound deceleration lane at MM 84.3	Wythe County	1.80
116162	Extend northbound deceleration lane at MM 67.3	Wytheville	1.46
116173	Apply high friction epoxy to southbound curve Exit 39	Smyth County	2.10
116161	Design Build to extend northbound acceleration lane at MM 48.1	Smyth County	17.20
Total Rural Projects Costs			\$39.32
2022 Regular TIFIA			
116203	MM 136 to MM 139 adding lane in each direction	Roanoke County	232.70
Total Regular Project Costs			\$232.70
Total 2022 TIFIA Project Costs			\$272.02

* Preliminary and subject to change

2022 TIFIA Loan – Schedule*

June 2021 through
August 2021

- Submit Letter of Interest (LOI)
- Creditworthiness presentation to TIFIA

September 2021

- Present TIFIA plan of finance to CTB

October 2021

- Request CTB approval to submit loan application and enter into TIFIA loan agreement

November 2021

- Request Treasury Board approval
- Submit TIFIA loan application

February 2022

- TIFIA loan execution

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