

I-81 Corridor Finance Update

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Chief Financial Officer

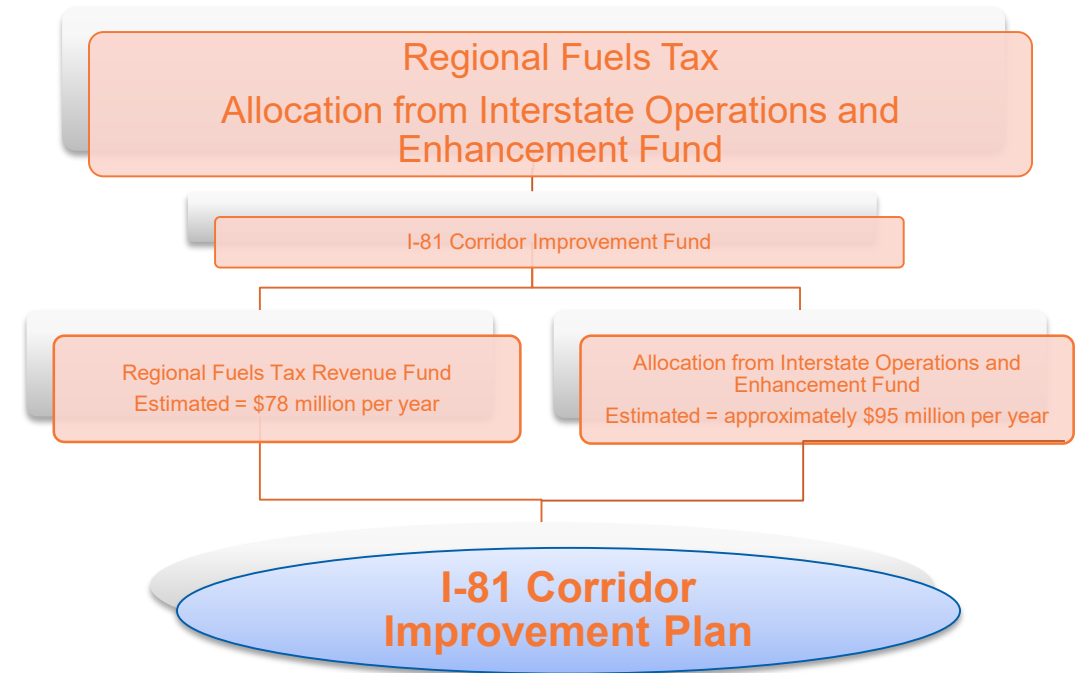
July 7, 2022

Legislative Background

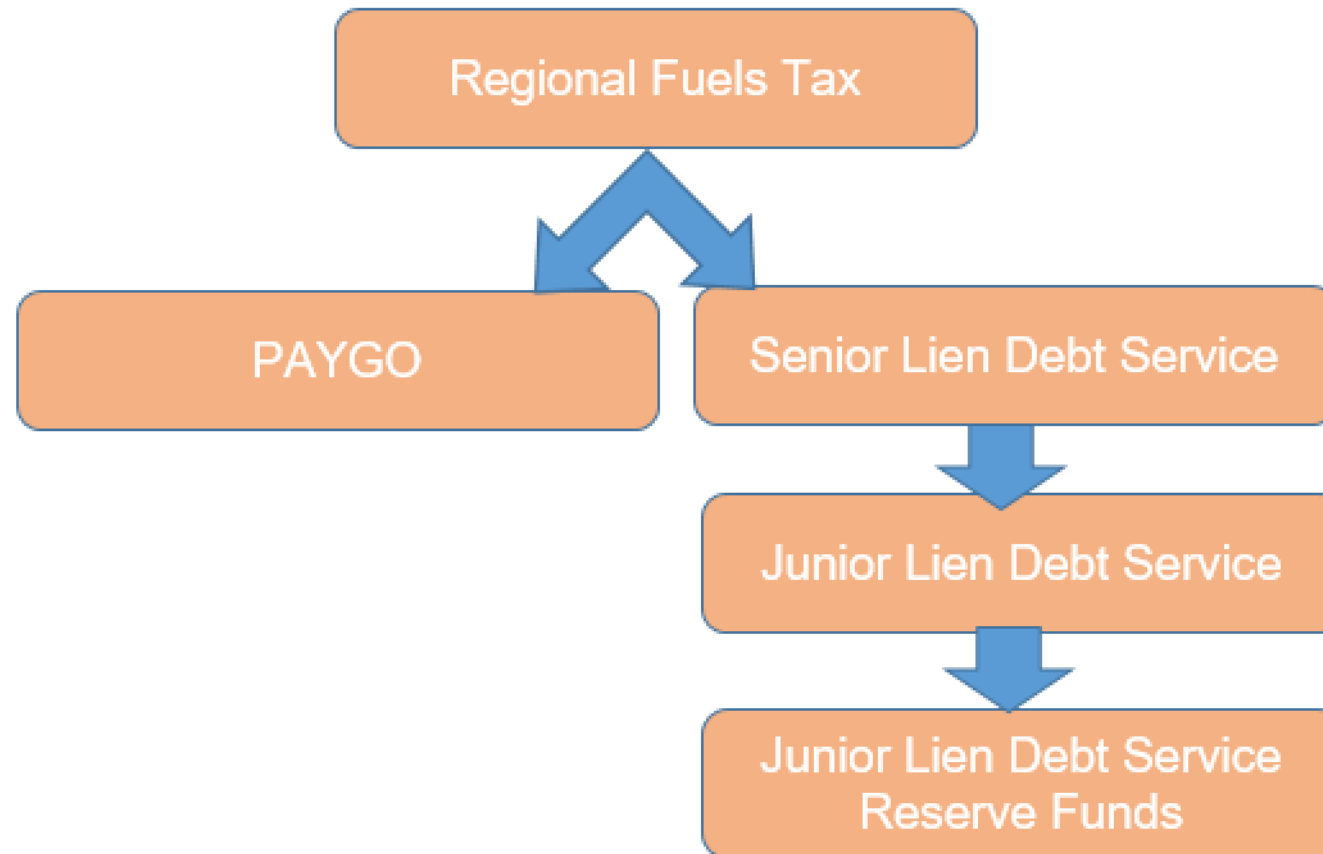
- **Chapters 837 and 846 (HB 2718 and SB 1716, 2019 Session)**
 - Created the Interstate 81 Corridor Improvement Program and Fund
 - Provided new transportation revenues to support the interstate highways and specifically I-81
- **Chapters 1230 and 1275 (HB 1414 and SB 890, 2020 Session)**
 - Authorized 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



Planned Use of Regional Fuels Tax



Revenue Performance and Projections

Interstate 81 Improvement Fund (in millions) - Actual Receipts for FY 2020 - 2021 and Projections for FY 2022-2028

Source	FY 2020	FY 2021	FY 2022*	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	Total
Regional Fuels Tax	\$69.8	\$71.4	\$75.5	\$78.8	\$80.0	\$80.7	\$81.4	\$83.2	\$85.2	\$706.0
Interstate Operations and Enhancement Program	22.6	71.3	98.5	95.9	101.3	110.1	109.2	107.6	107.8	824.3
Interest Income	0.7	0.7	0.5	0.5	0.5	0.5	0.5	0.5	0.5	4.9
Total	\$93.1	\$143.4	\$185.1	\$175.2	\$181.8	\$191.3	\$191.1	\$191.3	\$193.5	\$1,535.2

*FY 2022 regional fuels tax collections as of May 31, 2022 were \$68.7 million

Project Expenditures through May 31, 2022 – From fund balance and bond proceeds	\$ 102.5
Fund Balance at May 31, 2022	\$293.4
Bond Proceeds Balance at May 31, 2022	\$ 77.7

I-81 Corridor Program –Project Costs

- **Program of projects originally had estimated costs totaling \$2.87* billion over life of program, with projects implemented in phases through 2038**
- **Based on current revenue assumptions and debt model, estimated costs total \$2.70* billion, with projects implemented in phases through 2033**
- **The program remains:**
 - **Comprised of operational and capital improvements**
 - **No single project exceeds 11% of the Program**
 - **Projects are independent of each other**

* Preliminary and subject to change

I-81 Corridor Program – Comparison of Project Costs

Original Project Costs

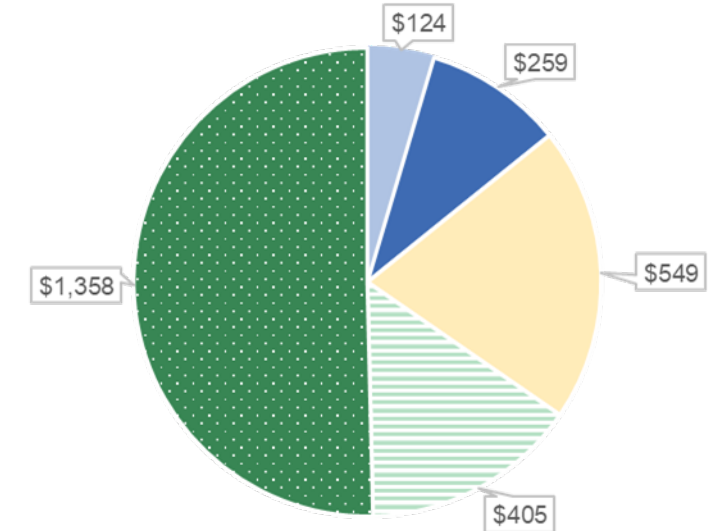
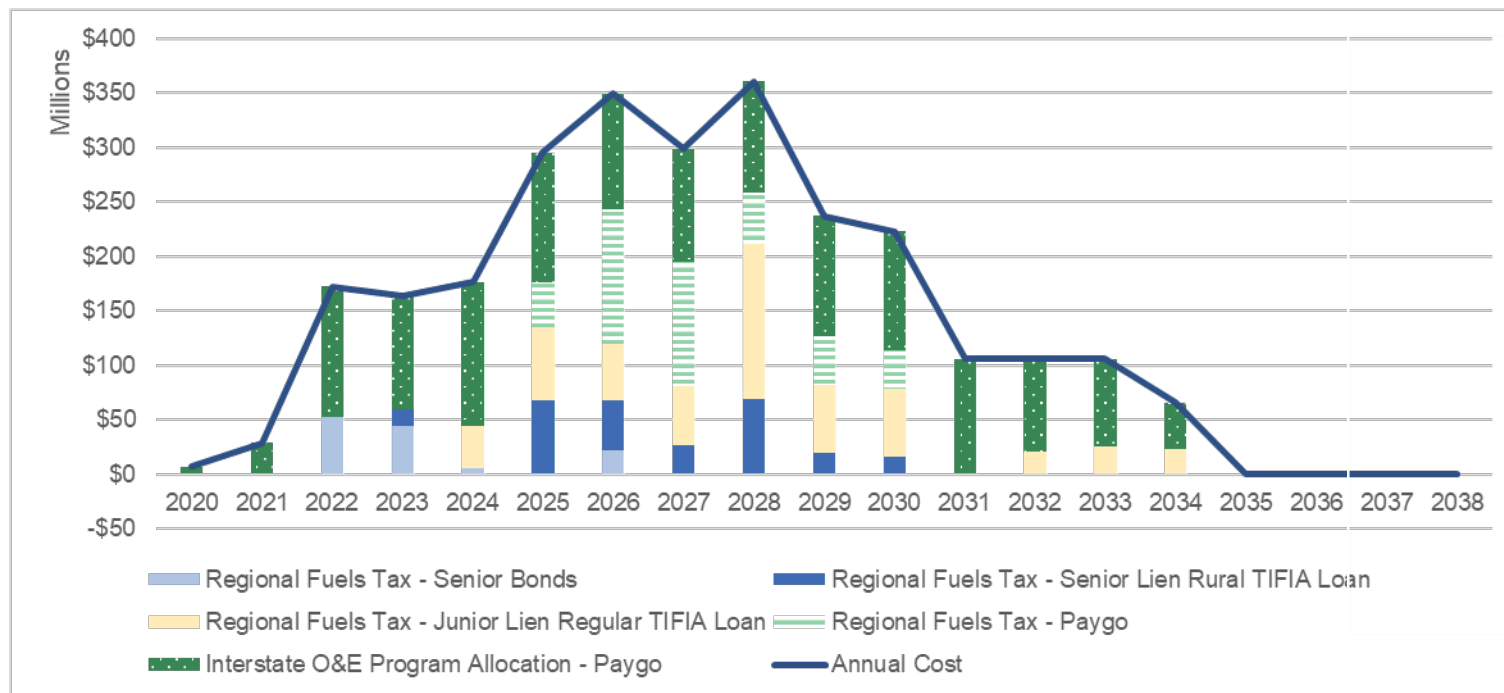
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	Total	
<i>in millions</i>																					
Operational Improvements	\$11	\$16	\$12	\$45	\$43	\$38	\$39	\$39	\$39	\$14	\$14	\$15	\$15	\$15	\$16	\$16	\$17	\$17	\$18	\$441	
Capital Improvements																					
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	

Current Project Costs

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	Total
<i>in millions</i>															
Operational Improvements	\$4	\$12	\$45	\$40	\$38	\$34	\$39	\$26	\$38						\$276
Capital Improvements															
Rural Projects	\$1	\$7	\$36	\$59	\$61	\$103	\$62	\$82	\$80	\$19	\$19				\$529
Regular Projects	\$3	\$10	\$93	\$70	\$88	\$169	\$257	\$254	\$288	\$204	\$204	\$105	\$105	\$40	\$1,889
sub-total	\$4	\$18	\$128	\$128	\$149	\$272	\$319	\$336	\$368	\$223	\$223	\$105	\$105	\$40	\$2,419
Total	\$8	\$30	\$173	\$168	\$187	\$306	\$358	\$362	\$406	\$223	\$223	\$105	\$105	\$40	\$2,695

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)



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 Bonds	2022 TIFIA Loans	Future Financings	Total
<i>Funded Costs (in \$MM)</i>				
Senior Lien Bonds	\$102	\$0	\$22	\$124
Senior Lien Rural TIFIA Loan	\$0	\$15	\$244	\$259
Junior Lien Regular TIFIA Loan	\$0	\$83	\$467	\$549
Total	\$102	\$98	\$733	\$932

* 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 Program allows VDOT to advance projects with the use of debt financing

Project Status in SYIP – I-81 Corridor Plan

- **Two of the originally prioritized projects remain to be added to future SYIPs, pending sufficient allocations to fully fund them within the six year window:**
 - **UPC 116196 Add northbound lane from MM 116 to MM 128 (2019 estimate: \$236 million)**
 - **UPC 116281 Widen to 3 lanes northbound and southbound from MM 313 to MM 317 (2019 estimate: \$223 million)**
- **Current revenue projections support completing the original I-81 program by 2033**

Potential for Additional Projects in the Plan

- **The Corridor Plan initially identified 106 projects for consideration and prioritized 64 projects for funding**
- **Additional projects from the original list could be amended to the Corridor Plan so that the Department is positioned to add projects to the SYIP as revenues support them**
- **Current revenue projections support the completion of additional projects estimated at \$1.0 - \$1.3 billion by 2040**
- **By CTB Policy, Corridor Plans must be developed for each interstate corridor with dedicated funding by 2025 and updated every four years thereafter**

Additional Projects

VDOT has begun concept refinement for the next five major capital improvement projects that were identified in the I-81 CIP, but not included in the funding program that address delay, crashes and accessibility to jobs

District	Location	VDOT Preliminary Cost Estimates	
		Low Range*	High Range*
Salem	Southbound widening between Exits 137 and 128	\$232.0	\$292.0
Staunton	Northbound widening MM 190 – Exit 195	\$105.0	\$133.0
Staunton	Northbound widening between Exits 298 and 300	\$51.0	\$62.0
Salem	Northbound/southbound realignment of S-curves in Botetourt (MM 167- Exit 168)	\$180.0	\$220.0
Staunton	Southbound widening Exit 195 – MM 190	\$98.0	\$123.0
Total Cost		\$666.0	\$830.0

***Costs are in millions and 2022 dollars**